PAPERS

DELIGING TO

THE INTRODUCTION

 α

A GOLD CURRENCY INTO INDIA.

CALCUTTA - OFFICE OF THE SUPERINTENDENT OF GOVERNMENT PRINTING 1866,

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CONTENTS.

	PAGE
Letter from Secretary, Bengal Chamber of Commerce, to Secretary, Gov-	
ernment of India, dated 25th May 1859, forwarding a Memorial from	
the Native Shioffs and Merchants of Calcutta for the introduction of a	
· Gold Currency, and urging the expediency of adopting gold as a	
subsidiary currency	1
Letter from Secretary, Government of India, to Secretary, Bengal Chamber	
of Commerce, dated 11th June 1859, No 4728, explaining the	
grounds on which the Government are unable at present to introduce	
gold as legal tender	ð
Letter from the Secretary, Bengal Chamber of Commerce, to Secretary,	
Government of India, dated 25th July 1859, stating serialim the	
reasons of the Chamber for dissenting from the conclusions of the	
Government of India	6
Despatch from Secretary of State, dated 4th November 1859, No 109,	
regarding a Government Paper Currency, and the circulation of the	
Sovereign in India at a fixed rate	18
Minute by the Right Hon'ble J Wilson, dated 25th December 1859, on	- 0
the subject of introducing a Gold Currency into India	19
Despatch from Secretary of State, dated 26th May 1860, No 86, expressing	, 00
concurrence in Mr Wilson's opinion	^ 29
Extract from a Minute by the Hon'ble S Laing on the Paper Currency	
Bill, proposing to permit the issue of Notes up to a maximum of one-	
fourth of its circulation against Gold Coin or Bullion, and referring	90
to the question of a double standard -	30
Extract from the Report of the Select Committee on the Paper Currency	32
Bill relating to Mr Laing's proposition Extract from the Paper Currency Bill containing the provision for issue	يت (
of Notes against gold .	33
Extract from a Despatch from Secretary of State, dated 2nd May 1861,	00
No 75, on the same subject, and referring to the advantage of	
making the Sovereign the current coin of India	34
Extract from a Minute by the Hon'ble S Laing, on Currency and Bank-	
ing, dated 7th May 1862, relating to the partial introduction of gold	
into Indian Currency	35
Extract from a Despatch from Secretary of State, dated 16th September	
1862, No 158, on the subject of the views expressed in Mr Laing's	
Minute of the 7th May 1862	36
Memorial from the Bombay Association, dated the 8th February 1864, for	
the introduction of a Gold Currency	38
Reply to ditto, dated 29th February 1864, No 1123	4 0
Letter from the Secretary, Bengal Chamber of Commerce, dated 19th Feb-	
ruary 1864, submitting a Resolution of the Committee of the Chamber,	-
that the introduction of an auxiliary Gold Currency would be bene-	
ficial, and suggesting the appointment of a Committee to enquire	$\imath b$
into the best mode of introducing it. Reply to ditto	42
Memorial from the Bombay Chamber of Commerce, dated February 1864,	≖ 4
for the introduction of a Gold Currency	43
Minute on the above Memorial by Sir B Fiere, Governor of Bombay	46
Minute by the Hon'ble W E Frere	48

Minute by the Hon'ble J D Inversity with a statement of the value of

716E

gold and silver imported to, and exported from, Bombay since 1854-55 Letter from Bir Walter Cassels, to the Governor of Bombay dated 1st January 1884, on the montary condition of the Indian Empire, and	49
the mirroduction of a Gold Currency and standard	51
Minute by His Excellency Sir W Mansfield, dated 8th March 1884	71
Memorial of the Madras Chamber of Commerce for an enlargement of	•••
paper issue and the introduction of a Gold Currency	144
Reply to ditto	146
Minute by the Houble Sir C. Trevelyan, dated 20th June 1864	147
Appendix of ditto containing the information collected by Sir	
O Trevelyan	185
Resolution of the Government of India on the subject of a Gold Cur	
rency dated 12th Joly 1864, No 1825	2,1
Despatch to Secretary of State, dated 14th July 1864, No. 89 recom	
mending the adoption of Sir O Trevelyan's proposals for making	
Sovereigns and Half-sovereigns, minted in England, Australia, and	
India, legal tender throughout the country	272
	212
Remarks by Sir W Mansfield on the subject of Sir C. Trevelyan s pro-	05011
posals	27213
Letter from the Secretary Board of Revenue, North Western Provinces,	
relating to the introduction of a Gold Currency dated 4th August	
1864, No. 634	273
Note by Mr W Muir Senior Member Board of Reveoue, North-Western	
Provinces on the bearing of a Gold Currency on the permanent settle-	
ment of the Land Revenue	275
Minute by the Lucatemant-Governor of the North Western Provinces, dated	
20th August 1804, on the above Note	280
Reply to ditto by the Government of India	281
have be 150 Commented to the first the first that the first the first that the first t	201
Notes by Mr George Arbuthnot, of the Treesury Whitehall on Sir C.	2011
Trevelyan a Minote	283
Despatch from Beeretary of State dated 26th September 1881, No 221,	
declining permission to make Sovereigns and Helf-sovereigns legal	
tender at Rs. 10 and 5 respectively but, as an experimental men	
tender at Rs. 10 and 5 respectively but, so an experimental men sure allowing them to be received and paid in public transactions at	
that rate	206
Notifications of the Government of India girlog effect to the above deci	
eion – –	301
Moute dated 23rd November 1804, containing Sir C Trevelgan a re	
marks on the Secretary of States Despatch of the 20th September	34 F3
Despatch to Secretary of State dated 3rd December 1861, No. 155, trans-	
mitting the two last-named papers	310
Letter from Secretary Bank of Bengal, to Secretary Government of India,	
dated 17th March 1805 No. 1012, with enclosures, reporting on the	
operation of the above-mentioned Notifications	16
Despatch to Secretary of State dated the 21st March 1865 No. 50 com	• • •
muolesting the last-osmed paper and repeating the recommendation	
that Sovereigns and Half-sovereigns should be made legal tender on	
	3-22
the basis proposed by Sir C Trevelyan	322
Despatch from Secretary of State dated the 17th May 1865 No. 1 1	
poloting out that the results of the experimental acceptance of the	
Bovereign have been iosufficient to show any advantage would result	
from that colo being deel red a legal tender at the fixed rate of 10	
Rupees and requesting that accumulations of Sovereigns may be re-	
mitted to England	3-1
Papers relating to the despatch of 101,000 Sovereigns to England, over	
land, on the "th September 1865, and to their cuttorn at the Bank of	
Logiand	370
Let er from Secretary Reneal Chamber of Commerce to Secretary Gov	
ernment of India, dated 23rd January 1560 urging consideration of	
the question of a Gold Currency for India, and suggesting that a Com	
mis ion be appointed to inquire into the subject	13/1
Regly of Government of India, dated let February 1850 a. 611	211

Letter from a in		
enment of Ind.		
Resolution of the of the of Commerce		
Letter from Secretary, Bengal Chamber of Commerce, to Secretary, General of India, dated 3rd February 1866, nominating two gen Resolution of Government of India, dated 3rd February 1866, nominating two gen appointing a Commission to report on the operation of the Page Commission, dated 4th October 1866, No 28	for s	'1GE
of Ind. Secretary G. 1eport on the cornary 1860	- T-	332
1861 Me Commission 2000, No 3D Sceretary C	eı ıt '	ъ
on Report Government.	f	
27th Mary John Cool of English of 19th C	333	
ernment Aeting Secretaring out viceroy and continuous	334 346	
Detrois a study of the state of	356	
bay, to Chief Search Search Resulter, New 1868, No. 16st etary C.	357	
ernment of Is68, pointing out objections to a double standard letter from Secretary, Government of Bombay, to Chief Sceretary, Government of Bombay, to Chief Sceretary, Government of Bombay, to Chief Sceretary, Government of Bombay, to Government of Government of Bombay, dated 12th Novembet Is68, No. 4614, on effect of Notification of 28th October 1868. Letter from Secretary, Government of India, dated 9th January 1862, No. 222 Accounts, Head Comment of Transactory of Talestory of Talestory, Government of India, to Mint Masters of Madras and Comment of Talestory 1869.	,,07	
Madras and stary, God atted out neation of a dated 19th of Bom-	$3C_4$	
Accounts II Governed 9th January to Mr. 1862, No 299 1868	Ν.,	
Bombon and Bombon of India, No 222 Calcutto	365 369	
	16	
D 1869 NJ, to Secret Colonel H million of S. Politing and Middles and		
Minute b. Government and Government of Flead Commission to bo		
-Lett. ther engine of Sir R. main, dated dates, dated 14th or Paper 370	1	
Bengal Seretary Could Doints anted 5th Fully 1869 at		
The transfer of the state of th		
Bengal, Madras, and Bombay, dated 5th June 1868, suggesting fui. Dengal, Madras, and Bombay, dated 30th June 1868, suggesting fui. Bengal, Madras, and Bombay, dated 30th June 1868, suggesting fui. Bengal, Madras, and Bombay, dated 30th June 1868, No 766, asking to Hon'ble Sir R. Temple, dated 10th August 1868, stating views on Letter from Acting Chief Secretary, Government of Letter from Mr. George Dickson's letter from Letter from Acting Chief Secretary and Treasurer, Bank of Bengal, Government of India, to Secretary, Bank of Bengal, Government of India, dated 10th August 1868, stating views on Letter from Acting Chief Secretary, Government of India, dated 10th August 1868, stating views on Letter from Acting Chief Secretary, Government of India, dated 10th August 1868, stating views on Letter for India, dated 10th August 1868, stating views on Letter for India, dated 10th August 1868, stating views on Letter for India, dated 10th August 1868, stating views on Letter for India, dated 10th August 1868, stating views on Letter for India, dated 10th August 1868, stating views on Letter for India, dated 10th August 1868, stating views on Letter for India, dated 10th India, dated 10	•	
To Pointe - Dir P m 2080n S - 107 o - 10 to Soon t		
Points mooted R. Temple, dated 10th August 1868, stating Bank of Government of L. Temple, determined to the Secretary of the		
to Hon'ble Sir R Temple, dated 10th August 1868, No 766, asking points mooted Letter from Mr Dickson's letter opinions of gentlemen consulted Letter from Mr J Hector, to Acting Chief Secretary, Government of Bombay, dated 18th August 1868, communicating his views on ques. Letter from Mr George Dickson, Secretary of India, to Secretary, Bank of Secretary, Bank of Bengal, 380 Jan Dickson's letter Sovernment of Mr Dickson's letter Opinions of Secretary, Government of Bombay, to Secretary, Government of India, dated 14th September 1868, No 23, submitting Letter from Colonel W F Marriott, to Acting Chief Secretary, Government of Bombay, dated 27th August 1868, communicating his views on quest Letter from Mr J Stuart, to Stuart, t		
Domba of the Congrit a Contami of Bond		
Bombay, dated 14th September 1868, No 23, submitting Letter from Colonel W F Mariott, to Acting Chief Secretary, Government of Bombay, dated 27th August 1868, on same subject Letter from Mr J Stuart, to Acting Chief Secretary, Government of Sombay, dated 27th August 1868, on same subject Letter from Mr Munguldass Nathoobhoy dated 27th Secretary, Government of Subject Subje		
Letter from Mr. M. Stuart, to Acting Chief Secretary		
of Bombar George D 412		
01 00 Mi Garage 28th 580, to A 0, 140 295 cary, Gor 420		
subject Secretary, Government of High Subject Secretary, Government of High Secretary, Government Secretary, Government Secretary, Government of High Secretary, Government High Secretary, Government of High Secretary, Government of High Secretary, Government of High Secretary, Government of High High High High High Secretary, Government of High High High High High High High High		
on introduction of 26th Appendix 16		
THEORY		
424		

	-
Memorandum by Mr E Gay Officiating Deputy Accountant General,	101
dated 8th August 1868 on same subject	426
Letter from Acting Chief Secretary Government of Bombay to Secretary Government of India, dated 28th September 1868, No. 1460, submit	
Government of India, dated 28th September 1868, No. 1460, aubmit	
ting letters from Agent, Agea Bank, and Secretary Bombay Chamber	
of Commerce, on same subject	427
Letter from Mr E. Morris, Agent, Agra Bank, to Acting Chief Secretary	
Government of Bombay dated 10th September 1868 on introduction	
of a Gold Currency into India	16
Letter from Secretary Bombay Chamber of Commerce, to Acting Chief	
Secretary, Government of Bombay dated 14th September 1868, on	431
Letter from Mr T C Hope, Collector of Surat, to Asting Chief Secretary	301
Government of Bombay dated 25th September 1868, communicating	
native public opinion in Guzerat	433
Minute by Hon'ble Sir R. Temple, dated 25th September 1808, proposing	
a fresh Notification in continuation of that of November 1864	435
Minute by His Excellency Sir W R. Mansfield, no date, on same subject	437
Munite by Houble Sir R. Temple dated 25th October 1868, on same	
arbject	ib
Notification of Government of India, 23th October 1868, No. 8287	439
Notification of Government of India, 3rd November 1868, No 3438, pointing out an erratum in Notification of 28th October 1868	435
Despatch to Secretary of State, dated 23rd December 1868, No. 333, report-	
ing proceedings to view to a Gold Currency	16
Letter from Chief Secretary Government of Madras, to Secretary Govern	•
Letter from Chief Secretary Government of Madras, to Secretary Government of Indas, dated 80th December 1868, No. 590 forwarding	
Minutes of Governor and of Mr Arbuthnot, and letters from Chamber	
of Commerce and other gentlemen	413
Letter from Colonel J Carpendale Mint Master to Chief Secretary Gov	
ernment of Fort St. George dated 16th September 1808, on subject of	
gold coinage Letter from Mr J D Sim, to Chief Secretary Government of Fort St.	411
George dated 22nd September 1868, on Gold Currency	453
Memo by Colonel C. A. Orr late Mint Master on same subject	456
Letter from Secretary Madras Chamber of Commerce, to Secretary Goy	
Letter from Secretary Madras Chamber of Commerce, to Secretary Gov- ernment of Fort St. George, dated 5th October 1808 on same subject	460
Letter from Mr V Ramiengar Superintendent of Stamps, to Chief Secre-	
tary Government of Fort St. George, dated 6th October 1868, on	
same subject	463
Minute by Hon'ble A. J. Arbuthnot, dated 30th November 1869, on	465
Name subject Mante by His Excellency the President, dated 7th December 1808 on	400
same subject	4/2
Minutes by Ills Excellency Sir W Mansfield dated 20th and 31st January	
1809 on questions put by Financial Secretary	475
Minute by Honble J Strackey dated 30th January 1860 on introduction	
of a Gold Currency	4/0
Minute by His Excellency Sir W Mansfield dated 9th February 1809;	403
remarks on Mr Strackey a Munte Appendix to Sir W Mansfield a Minute	500
Minute by Hon ble Sir R. Temple dated 12th February 1860; remarks	5
on Mr Strachev a Minute	809
Despatch to Secretary of State dated 15th February 1800 No. 43 forward	
ing Minutes of Mr Struckey Sir W Manafield and Sir R. Temple	BII
Correspondence regarding minimum weight of gold coins Notification of Government of India, dated 12th December 1870 No. 3 64.	613
Actiumition of Government of India, dated 12th December 1870 No. 3 61,	
on payment of certificates under Section 21 of Indian Coinage Act of 16"0	514
Minute by Hon'lle Sir R. Temple up date forwarding notes by	
Mr Dickson, Secretary Bank of Benest, Mr R. H. Chanman Floan	
Mr Dickson, Secretary Bank of Bengal, Mr R. B. Chapman Floan cial Secretary Mr H D Sandeman, Officiating Comptroller General,	
and Mr E. Cay Deputy Comptroller General, on Gold Currency	14

Note by Mr. George Dickson, Secretary and Treasurer, Bank of Benga	PAGE
dated 15th January 1872, on a Gold Currency .	531
Note by Deputy Comptroller General, dated 27th October 1872, on san	ae
subject	. 557
Note by Financial Secretary, dated 27th March 1872, on same subject	ib
Note by Officiating Comptroller General, dated 28th March 1872, on sam	10
subject	. 564
Note by Hon'ble Sn R Temple, dated 8th July 1873, on course to 1	00
followed for introduction of Gold Currency .	565
Resolution of Government of India, dated 7th May 1874	. 572
Extract from evidence and memorandum of Sir J. C. Melvill before Sele	
Committee of House of Commons in 1853 on a Gold Currency f	
India	. 573
Autua in the in the control of the c	. 979

,

PAPERS

RELATING TO

THE INTRODUCTION

OF A

GOLD CURRENCY INTO INDIA.

From H. W J. Wood, Esq., Secy to the Bengal Chamber of Commerce, to Secy. to Govt. of India, Finl. Dept,—dated 25th May 1859.

The expediency of introducing a gold currency into India has been on several occasions under the consideration of the Chamber of Commerce, and their attention has been again directed to the question in a communication from the Calcutta Trade Association, as also by the native shroffs and merchants of Calcutta in a letter of which I beg to append a copy.

The Committee of the Chamber, after having maturely considered this important subject, have come to be of opinion that it is now desirable to introduce into this country gold as a subsidiary currency to the extent of two hundred Rupees, adopting the English sovereign, at a fixed rate relative to silver, as the circulating medium

I am directed by the Committee to solicit the favor of your bringing this matter to the notice of the Governor General in Council, in the hope that it will receive favorable consideration, and that a gold currency will be adopted, to the extent above suggested, with as little delay as possible

The Committee of the Chamber do not think it necessary to trouble you with the particular reasons on which their opinion is grounded; but if any objections should occur to the Governor General in Council to the adoption of the change which is now proposed, the Committee will be glad to know what these objections are, in case it may be in their power to remove them.

From Baboo Soorut Raw Roy Bhan and 25 others, Native Shroffs and Merchanis of Calcutta, to President of the Chamber of Commerce, dated April 1859

We are given to understand that the Committee of the Chamber of Commerce have it in view to address the Supreme Government as to the expediency of introducing a gold currency into this country

The question is one of great and national importance and we the undersigned bankers and others, engaged extensively in mercantile par suits, take the liberty of expressing to the Committee through you what our opinion upon this point is

We think that the time has arrived for Government to decide without delay in making gold a legal tender in this country. The in convenience of relying upon silver alone as the medium of circulation is already felt and this inconvenience will increase as the country increases in wealth and population and as roads, canals and railways open up the communications and the traffic with the interior

It is well known to every one that there is no paper currency in Bengal beyond the immediate neighbourhood of Calcutta, nor in the North Western Provinces and that in all the daily transactions great and small, which take place the payments have to be made in silver gold meliums coined at the Calcutta Mint being ne longer receivable in payment of revenue which they used to be before the Australian gold discoveries

The natives of India prefer gold to silver on account of its port ability and of their being therefore able to heard it in times of danger, so much more securely than a bulky article like silver. In July and August 1857 when it was uncertain what turn the rebellion might take some of the natives in Calcutta drew their balances from the Banks sold or pledged their Government Securities, and with the money purchased gold, which they hearded until after the fall of Delhi, when confidence in the re-establishment of the British Rule in the disturbed districts prevailed and when the parties who had so hearded their gold re-sold it at a lower price than they had paid for it

Since the commencement of the mutiny, Government has not a such drafts in favor of Officers on its Up-country Treasuries and in consequence these Officers were neces stated, in order to pay their way to carry with them from 500 to 500 rupees weighing, 7½ to 12½ lbs. which was included in the regulation weight of n 100 lbs. of 1.55328. allowed

by Government to Officers proceeding by land carriage to join their Regiments, while if the money had been carried in gold, the weight would not be more than 1 to 2 lbs.

The continuous diam from Europe to the East for some years past has attracted much attention, and the flow this year is likely to be on a very large seale. In the mercantile intelligence received by the last mail, we observe that for the steamer of the 20th March, £300,000 of silver is to be shipped on account of the Indian Government, which is probably the first instalment of the loan for three millions which Loid Canning mentioned he had applied for to Loid Stanley. The piece paid for this silver is 5s. 2d., and there seems to be difficulty in obtaining from the Continent the full amount of silver required. The effect frequently is, to meet this demand for the East, a derangement of the exchanges and of the money markets of Europe, all of which would be avoided had we a gold currency in India, and there are many other advantages which would result from it, but to which it is unnecessary to call the special attention of gentlemen of the experience of the members of the Committee of the Chamber of Commerce.

Hoping that the application of the Committee to the Government on the above important question will be successful.

From H W J Wood, Esq, Secy to the Bengal Chamber of Commerce, to Secy to Gost of India, Finl Dept,—dated 31st May 1859.

The second paragraph of my letter of the 25th instant concludes with the words "adopting the English sovereign at a fixed rate relative to silver as the circulating medium," and I am directed to alter that expression to the following—"recognizing the sovereign as the equivalent of ten rupees"

I have the honor to request you will be so good as to modify my letter accordingly.

From C Hugh Lushington, Esq., Secy to Govt of India, Finl Dept, to Secy to the Bengal Chamber of Commerce,—No. 4728, dated 11th June 1859

I am directed by the Right Hon'ble the Governor General in Council to acknowledge the receipt of your letter of the 25th ultimo, enclosing one in which the native shroffs and merchants of Calcutta have lately represented to the Chamber of Commerce that gold should be made a legal

tender in India, and expressing the opinion of the Chamber of Commerce that it is desirable to introduce gold as a subsidiary currency to the extent of two hundred rupees, adopting the English sovereign, at a fixed rato relative to silver, as a circulating medium.

- 2 I am also to acknowledge the receipt of your letter of the 31st ultimo, requesting that your previous letter may be modified by the substitution of the words "recognizing the sovereign as the equivalent of ten rupees" for the words "adopting the English sovereign at a fixed rate relative to silver as a circulating medium"
- 8 In reply I am to inform you that the Governor General in Council regrets that he is unable to meet the wishes of the Chamber of Commerce in this matter
- 4 However accurate might be the proportional value which might be given to a gold coin now as compared with the standard silver coin, there is a strong and growing probability that it would before long cease to be the true value, and, therefore that a law which should fix that value could not long be maintained unaltered without disturbing existing obligations between debtor and creditor. The evil of passing such a law with the certainty that it would not be permanent, and with the probability that a change in it would become necessary at no distant time, is plain.
- 6 Besides thus fundamental objection to the measure, there is another more immediate in its bearing upon the community. To subject every person to whom any sum from ten rupees to two bundred rupees may be owing to receive payment of that sum or of the greater part of it in sovereigns, would be a severe hardship. It would compel such persons before disbursing their money to have recourse to money changers, often under very disadvantageous circumstances, and with no escape from extortionate demands. The loss which is already suffered by those who have occasion to change silver for coppor coin in the baxinars would be trifling compared when obliged to seek change for gold coins of the nominal value of ten rupees.
- 0 It will I am to observe, be clear to the Chamber of Commerce that the law as it exists in England furnishes no parallel to the measure which is now proposed

- 7. In a country in which gold is the standard, but where silver is indispensably necessary to express sums which cannot be expressed in gold, the establishment of a subsidiary silver currency which shall be legal tender to the extent of forty shillings is a measure convenient to all, but in a country in which silver is the standard, the introduction of gold as a subsidiary currency, and as a legal tender to the extent of ten times the above-named amount, is a very different measure. The convenience of it would be limited to a number comparatively small, the inconvenience and loss resulting from it, by the payment of small sums in gold at a rate which, though legal, might be above the market rate, would extend to large and not wealthy classes. It is needless to say that in the event, in either case, of a depreciation of the metal of which the subsidiary currency is formed, the disturbance will be greatest where that currency has been made a legal tender for the largest amount.
- 8. Furthermore, I am to remind you that the right of paying in gold is one which, if it be given to the public, must also be used by the Government. The Treasury could not receive sovereigns at a fixed rate without re-issuing them at the same rate. It would, therefore, soon become necessary to pay some part of the interest on public securities in that coin. But the bargain of the State with its creditors has been made in silver, and if gold be paid to them in place of silver at a rate higher than the market value of gold, the creditors will have cause to impugn the good faith of the Government. The Governor General in Council cannot consent to a measure which would lead to such a consequence.
- 9. After giving a respectful consideration to the scheme which the Chamber of Commerce has recommended, the Governor General in Council is satisfied that, so far as money transactions within the wide limit of two hundred rupees are concerned, it is open to nearly all the objections which have been generally, and, as His Excellency believes, rightly, urged against a double standard. And His Excellency regrets that he is quite unable to concur in the opinion of the Chamber of Commerce that the present time is one at which it is desirable to introduce the measure suggested. It appears to the Governor General in Council that there never has been a time when it would be so little wise or just to force by law a gold currency (even though restricted to the extent proposed) upon a country where the standard is silver.

10 Against these reasons for not adopting the course recommended by the Chamber of Commerce, there are to be set the reasons adduced in favor of that course in the letter from the native shroffs and merchants which you have transmitted with the recommendation

These reasons are-

Firstly, the greater convenience of those who have occasion to remit or carry money from place to place, and the preference given hy natives to gold on account of facility in hoarding it and, secondly, the dimiuntion of difficulty in obtaining silver from England and of derangement in the money markets of Europe.

- As regards the first the Governor General in Council does not under rate the advantage to the community of making money portable. His Excellency considers that it furnishes a good reason for coming gold, and for placing gold money within reach of the public to be used at their option—and this the Government of India already does—but that it would by no means justify the Government in making the hopeless attempt to fix the value of the gold coin by law, and in compelling the acceptance of it at that value. The fact that gold is easily hearded is one which may properly be taken into account in estimating the amount of gold coin which should be supplied to the country bit, in the opinion of the Governor General in Council it cannot be represented seriously as a ground for making gold a legal tender
- 12 As regards the second reason the Governor General in Council does not admit that the evils which the writers of the letter describe, and which, they assume, would be diminished by the measure proposed, are such in degree as to call for the adoption by the Indian Government of a measure which would be embarrassing and hurtful within India itself. The price paid for the silver lately sent from England—5s 2d an ounce—is in the opinion of the Governor General in Council, no sufficient evidence of this

From H W J Wood, Esq., Seey to the Bengal Chamber of Commerce, to Seey to Gost of India Finl Dept,—dated 25th Inly 1850

I am directed by the Committee of the Bengal Chamber of Commerce to acknowledge the receipt of your letter No 4728 of 11th ultimo in reply to my letters of the 25th and 31st May suggesting by direction of the Committee, for the consideration of the Right

Hon'ble the Governor General in Council, the expediency of introducing a gold currency into India, by making the English sovereign the equivalent of ten rupees, and to the extent of twenty sovereigns, or two hundred Rupees, a legal tender,—a proposal to which, for the reasons stated in your letter, the Governor General in Council regrets that he is unable to give his conemience—But as these reasons do not appear to the Committee of the Chamber to be well founded, I am directed by them to communicate to you, for His Lordship's information, some of the grounds on which they have taken the liberty of coming to a different conclusion. In doing this, the best way for me will be to reply to your letter paragraph by paragraph

Paragraphs 1 and 2 acknowledge my letters of the above date.

Paragraph 3 expresses the regret of the Governor General that His Lordship is unable to comply with the wishes of the Chamber in this matter.

Paragraph 4 is as follows .-

"4. However accurate might be the proportional value which might be given to a gold coin now as compared with the standard silver coin, there is a strong and growing probability that it would, before long, cease to be the true value, and, therefore, that a law which should fix that value could not long be maintained unaltered, without disturbing existing obligations between debtor and creditor.

"The evil of passing such a law with the certainty that it would not be permanent, and with the probability that a change in it would become necessary at no distant time, is plain"

The Committee of the Chamber take it for granted that the Governor General admits the English sovereign, as compared with the standard silver coin, to be of the value of ten rupees, of which, indeed, there can be no doubt, because sovereigns sell readily in any quantity, at present, for ten rupees and six But His Lordship obannas each jects that "there is a strong and growing probability that it would before long cease to be the true value." The Committee of the Chamber are aware that the same views find several able supporters among the many writers on the eurrency The speculations of these writers came out strongly with the discovery of

the Californian mines, and their prophecies as to the probable fall in the value of gold and the evils to arise therefrom, were repeated with still greater confidence when the gold discoveries in Australia were made, and they have been reiterated by the same theorists ever since, year after

year, with undiminished confidence. But what are the facts? Since the discovery of gold in California and Australia, it is estimated that nearly forty millions of gold have been added, yearly, to the stock of gold in the world, and this, as the currency theorists themselves admit, without any depreciation in the value of gold, which, relative to silver, here and in the markets of Europe, continues to be what it was before the date of the recent gold discoveries. The Committee of the Chamber do not believe that the small change in the carrency which they proposed will, in the least, disturb the obligations between debtor and creditor. Previous to the discovery of California the circulating medium of France and America was composed of silver and paper money, but the gold discoveries were taken advantage of in both countries. In America the mints immediately coined gold double-eagles, eagles, half-eagles, quartereagles, and dollars, as a legal tendor for the amounts they indicated and in France the mints became very souve in coming double-Napoleons Napoleons half Napoleons, and quarter Napoleons as a legal tender, for 40, 20, 10, and 5 france of the silver standard. In both countries, and more especially in America, the result has been the displacement of a good deal of spurious paper currency, and of the greater portion of the silver of which the metallic currency almost entirely consisted. This increase in the gold currency, or to the circulating medium, of the two nations, was appreciated as of great benefit nor has it been productive of any injurious effect on the contracts between debtor and creditor French nation apparently even now does not apprehend any muchief from having a double standard judging from the alacrity with which the public loans were taken up the other day by all classes of the people Nor has Indu failed to derive benefit from these gold discoveries which have had the effect of liberating from America and France the large quantities of silver which have since then been flowing to the East to adjust with India and China the balance of trade. The total shipments of silver to the East since 1851, to the end of 1857 were nearly fifty seven millions, or on an average of each year in excess of the estimated yearly production of all the silver mines in the world the shipments from Great Britain and the Mediterranean in 1856 being £14 100 000 and in 1857 £20 146 000. The change in the premous metals has always been so slow as to be scarcely perceptible. The relative value of gold to silver varies at the same moment in different countries and in the same country at different times, being influenced by the standard the supply, and the state of the exchanges The Committee of the Chamber

conceive that, were the very trifling change which they propose now acted upon, no alteration in the value of gold coin would at any future time be necessary; but should it be, there can be no difficulty in adjusting the relative proportions. The convenience and benefit to the public will far outweigh this trouble to the Government.

Besides this fundamental objection to the measure, there is another more immediate in its bearing upon the community. To subject every person to whom any sum from ten supees to two hundred rupees may be owing, to receive payment of that sum, or of the greater part of it in sovereigns, would be a severe hardship. It would compel such persons, before disbursing their money, to have recourse to moncy-changers, often under very disadvantageous circumstances, and with no escape from extortionate demands The loss which is already suffered by those who have oceasion to change silver for copper coin in the bazaars, would be trifling compared with the loss and inconvenience to which they would be exposed when obliged to seek change for gold coins of the nominal value of ten rupees."

or shroffs and the dealers who have to keep a reserve of money, which at present they do in silver, would only be too glad to substitute sovereigns for bulky silver rupees.

"6. It will, I am to observe, be clear to the Chamber of Commerce that the law, as it exists in England, furnishes no parallel to the measure which is now proposed

"7 In a country in which gold is the standard, but where silver

The objection taken in this paragraph the Committee of the Chamber conceive to be greatly exag-It is founded on what they believe will practically be found to be the exception to the rule. assumes that all those to whom sovereigns are paid will at once go with them to the money-changers, who would of course make a charge for giving silver rupees in exchange; but which, however, would be done for a much smaller charge or battasomething less than one-half the batta exacted for changing copper for silver coin. Sovereigns in ordinary transactions would pass from the buyer to the seller in exchange for commodities, and should the value of the latter fall short of the value of the sovereign, the balance or difference would be paid back by the seller to the buyer without any such charge. The native bankers

It is admitted that the standard in England being gold, and the standard in India being silver, there can be no exact parallel between the two cases, but that can form no good reason for not adopting what is now proposed. Of the is indispensibly necessary to express sums which connot be expressed in gold, the establishment of n subsi diary silver currency, which shall be legal tender to the extent of forty shillings, is n measure convenient to all but in a country in which sil ver is the standard, the introduction of gold as a subsidiary currency and as a legal tender to the extent of ten times the above named amount, is n very different measure The convenience of it would be limited to a number comparatively small the meonyenieuce and less resulting from it by the payment of small sums in gold at a rate which, though legal might be shove the market rate, would extend to large and not wealthy classes. It is needless to say that, in the event, in either case of a depreciation of the metal of which the subsidiary currency is formed the disturbance will be greatest where that cur rency has been made n legal tender for the largest amount,"

convenience of the measure, there can be no doubt to all who prefer carrying 20 sovereigns to 200 rupees in their pockets. The fact that gold is not the standard of value, can form no ground for excluding it entirely as a subsidiary currency which is the only way as long as we have the silver standard, in which gold can be introduced into this The inconvenience and loss contemplated will, it is thought, prove to be imaginary, as will also the idea that payment in gold will not extend to the large and wealthy olasses who in the opinion of the Committee, will be the very first to avail themselves of the advantages of a gold in comparison with a silver comage. So long as the sovereign is declared a legal tender for ten rupees, it will pass ourrent for ten rupees, and have the same pur chasing power as ten rupees mailver The buyer and seller seem indifferent to the rise or depreciation in the market value of the metal of which

the subsidiary ourrency is composed. Sixteen annas or one rupee of copper com have the same purchasing power as a rupes of silver, although the sixteen annas of copper, according to the market value of copper, are not worth more than seven to eight annas of silver the same way a shilling of silver, or twelve pence of copper, although the former is 10 per cent., and the latter 40 per cent. less, in intrinsic value than the twentieth part of the gold severeign have the same purchasing power and pass from one hand to another, at their nominal value, without any regard or inquiry as to the rise or fall in the market value of the metals of which the coms are composed.

Furthermore, I am to remind you that the right of paying beg of you to assure His Excellency

The Committee of the Chamber

the Governor General in Council that

they are quite as unwilling to suggest, as His Lordship can be to carry out

any measure which they have any conception would be likely to af-

ford to the public creditors any good grounds for impugning the

good faith of the Government, being

conscious that a sacred legard for the great rules of property on the

part of Governments is the founda-

tion on which all private as well as

public or political security rests

And accordingly Governments have

found out the expediency of preserving the standard of money

in gold is one which, if it be given to the public, must also be used by the Government The treasury could not receive sovereigns at a fixed rate without re-issuing them at the same rate It would, therefore, soon become necessary to pay some part of the interest on public securities in that coin. But the baigain of the State with its creditors has been made in silver; and if gold be paid to them in place of silver at a rate higher than the market value of gold, the creditors will have cause to impugn the good faith of the Gov-The Governor General in ernment Council cannot consent to a measure which would lead to such a consequence "

inviolate, and that their ultimate interest, as well as the interest of the public, is best consulted by abstaining from doing any act either to increase or to depieciate the value of money Within this wholesome category the public creditor is entitled to include all the obligations of the State, and to consider that any steps taken by the Government in the knowledge that these will have the effect of depreciating its own securities, is as great a breach of the good faith of the Government towards the public eleditor as debasing the value of the coin in which the debt or obligation so depicciated is, at some very distant day, if ever, ultimately discharged There can be no doubt that, in the event of the measure proposed being adopted, Government will be as much entitled to pay away to each individual to the extent of 20 sovereigns or 200 rupees in gold as it will be bound to receive them. These small payments, however, from and to individuals, will be but an infinitesimal fraction of the crores of rupees which pass into and out of the Government treasures in the course of the year The public creditors can have no more cause to impugn the Government for paying them in sovereigns to a limited extent, than the public of India have a right to complain of being compelled to take sixteen annas of copper at a rate higher than the market value of copper, or than the public of England have a right to complain of their being compelled to take forty shillings

of silver as a legal tender, at a rate higher than the market value of solver at the time. It is said that the bargain of the State with the creditor having been made in silver it would be unjust to pay him in gold, if the value of gold happened to be less than the value of silver at the moment of payment. But suppose that the value of silver hap pened to be less than the value of gold, which is not an impossible case, the gain would then be to the creditor, whose interest chiefly the Gov ernment professes to care for in the contract But all injustice in this respect may be obvinted by Government's agreeing if it desires it, to pay its debts not according to the value of the rupee at the date of pay ment hut according to its value when the deht was contracted or if paid in gold, by paying the creditor a sum which after a comparison of the course of the value of the two metals shall at the time of payment, be the commercial equivalent of the silver rupee in which the deht was contracted The objections in this paragraph are only applicable to n double standard-when the debtor has it in his option to discharge his dobt in gold or in silver, as may suit his convenience they are of little or no force when directed against a subsidiary currency for limited payments. The Committee of the Chamber venture to state that if the consent of the public creditors were asked to receive payment not only of the future interest but of the principal of all the leans in gold sovereigns at the equivalent of 10 silver rupees for each sovereign, there is not a single creditor who would withhold his consent from such a proposal.

"9 After giving a respectful consideration to the scheme which the Chamber of Commerce has recommended, the Governor General in Council is satisfied that, so far as money transactions within the wide limit of two hundred rupees are concerned it is open to nearly all the objections which have been generally, and, as His Excellency believes, rightly urged against a double standard. And His Excel lency regrets that he is quite unable to concur in the opinion of the Chamber of Commerce, that the The limit to a payment of 20 sovereigns or 200 rapees of gold as a legal tender, the Committee respectfully think, brings the proposed change ont of the category of a double standard, and therefore the objections (not specified) which His Excellency the Governor General believes to have been generally and rightly urged to a double standard, do not apply to this case. They might as reasonably be urged against forty shillings of silver being made a legal tender in England the only difference being

present time is one at which it is desirable to introduce the measure suggested. It appears to the Governor General in Council that there never has been a time when it would be so little wise or just to force by law a gold currency (even though restricted to the extent proposed) upon a country where the standard is silver"

one of amount—the difference between £2 and £20 The Committee of the Chamber, with much deference to His Loidship, continue to think that the present is a most fitting time for the introduction of the measure suggested. Of the silver importations into India, a very large amount is hoarded and converted into ornaments, and what of the

silver is not so absorbed, converted into coin, is not found to be more than sufficient to perform, as a circulating medium, the business of the country. The Indian currency out of the Presidency towns being purely metallic, very large importations will require to be continued from year to year to meet the currency demand. A decrease or deficiency in the circulating medium would be severely felt by all classes, and by none more than by the Government itself. The wealth of India is gradually increasing, new markets are opening out, and an incalculable impetus will be given to our trade and commerce as railways bring the towns of the interior nearer to the seaports With this expansion, a larger supply than before of the circulating medium will be necessary The new markets yearly opening up all over in the East, such as China, Japan, &c, will continue to absorb an increasing quantity of the precious metals, the value of the produce they export will be much in excess of the value of the manufactures of Europe and America which they import, and the balance of trade must be adjusted by shipments of the piecious metals. Looking to the vast and increasing area over which silver will have to perform the functions of the circulating medium, and to the probability that India will receive in future less quantity of silver than her wants require, the Committee of the Chamber consider it to be a duty to impress earnestly upon His Excellency the Governor General in Council the wisdom of timeously adopting gold into the Indian currency to the modified extent which has been proposed.

"10. Against these reasons for not adopting the course recommended by the Chamber of Commerce, there are to be set the reasons adduced in favor of that course in the letter from the native shroffs

The letter of the native shroffs and merchants is important as showing the feeling of the two classes of natives most competent to form an opinion upon the subject. They are entirely in favour

and merchants which you have transmitted with the recommend ation

"These reasons are-

"Firstly, the greater convenience of those who have occasion to remit or carry money from place to place, and the preference given by natives to gold on account of facility in hearding it and, secondly the diministration of difficulty in obtaining silver from England, and of derange ment in the money markets of Europe

"13 As regards the first, the Governor General in Council does not under rate the advantage to the community of making money port-His Excellency considers that it furnishes a good reason for coming gold and for placing gold money within reach of the public, to be used at their option -and this the Government of India already does -- but that it would by no means justify the Government in making the hopeless attempt to fix the value of the gold com hy law and in compelling the acceptance of it at that value

and to the native bankers whose places of business are so very confined, the large space which silver occupies is exceedingly inconvenient. The advantage on this account of a gold currency would by them, be fully appreciated. The Governor General, sensible of this advantage, considers it a good reason "for coning gold, and for placing gold money within reach of the public to be used at their option,—and this the Government of India already does." There is no gold money which is a legal tender, and natil the creditor is obliged to receive a gold coin in payment from his debtor it cannot be used at

of gold as a currency, and it was a currency in India long before the British had a footing in it. They lay stress upon the portability of gold as compared with silver as one of the reasons for now introducing the former into the Indian currency. and this is a point on which the native shroffs and merchants who signed the letter to the President of the Chamber can speak from practical experience Some of them have agencies and dealings all over India, and there being no paper currency they are necessarily com pelled to keep large reserves of rupees m silver the trouble and expense of moving hulky sums of money from place to place is very serious Many shroffs are obliged to hold sums varying from £50 000 to £100 000 in silver the weight of the former sum being 51 tons, and of the latter sum 114 tons. The same amounts if held in sovereigns would be cwts 7# and cwts 15} respectively? The Bank of Bengal when it comes to have nearly two millions of silver, can scarcely find room for it in its spacious vanits

his option—it is not money in the ordinary acceptation of the word. is true that under Act XVIII of 1835 it was enacted that a gold mohur is of the weight of 180 grains, of the standard of 165 grains of pure gold to 15 grains of alloy-a five-rupee piece equal to a third of a gold mohur -a ten-rupee piece equal to two-thirds of a gold mohur, and a thirtyrupce piece or a double gold moliur all of the above standard. The same act enacted "that no gold coin shall henceforward be a legal tender in any of the territories of the East India Company" But subsequently it was declared that, on and after 11th November 1810, officers in charge of public treasuries were to receive these gold coins as a legal tender without any limit, and gold mohurs therefore came to be freely coined, and received by Government at their treasuries all over India. After the Californian and Australian gold discoveries, the above order was, for some reason or other, withdrawn, much to the inconvenience of such of the public as happened to have gold mohurs in their possession, but being no longer a legal tender, or a currency at the treasuries, gold mohurs were no better than so much gold at its market value—the comage stamping its weight and purity merely. Gold mohurs after the above prohibitory order could no longer be called money in India, any more than a piece of lead or copper, or of any other metal, or commodity of the same value, in the market can be called money. The Governor General considers that although it is a good reason for coining gold, the portability of it "would by no means justify the hopeless attempt to fix the value of the gold com by law and in compelling the acceptance of it at the value." The Government, when it ordered the gold moliur to be received at its treasuries on and after 11th November 1840, did fix the value of the gold coin which it now considers it would be hopeless to attempt to do Nor is there any more hopelessnesss, nor any greater hardship, in compelling the acceptance by the Indian public of sovereigns to a limited amount, at a fixed value, than in compelling them to take sixteen annas of copper as equal to a silver rupee, or in compelling the English community to receive forty shillings of silver as of the same value as two gold sovereigns.

"The fact that gold is easily hoarded is one which may properly be taken into account in estimating the amount of gold coin which should be supplied to the country, but in the opinion of the

In the remarks contained in this paragraph, the Committee of the Chamber beg to concur, nor do they believe that when the native merchants and shroffs noticed in their letter, as a fact, that the

Governor General in Council it natives of India prefer gold to cannot be represented seriously as silver, on account of its being so tender"

a ground for making gold a legal much more easily hearded than silver, it was meant to be represent

ed somously by them as a ground for making gold a legal tender They know that a very large amount of the current silver coin is yearly hoarded, and they supposed it to be in every way advantageous that there should be a sufflement amount of gold com available for hearding, so as to liberate the silver com so taken out of circulation, for the purpose of its being again made use of in the daily dealings of the poorer classes

'12 As regards the second reason, the Governor General in Council does not admit that the evils which the writers of the letter describe and which, they assume, would be diminished by the measure proposed, are such in degree as to call for the adoption by the Indian Government of a measure which would be embarrassing and hurtful within India itself. The price paid for the silver lately sent from England-5: 2d an ounce-is, in the opinion of the Governor General in Conneil, no sufficient evidence of these

In their letter the native shroffs and merchants noticed the extraordinary and continuous flow of silver from Europe to the East for several years past, the difficulty experienced in obtaining all the silver necessary to keep up the supply for this purpose and the frequent demngement observable in the exchanges and the money markets of Europe attributable to the with drawel from the Continent of such large sums of silver and to the transmission thither of gold from England to pay for it In their opinion the evils alluded to would

be diminished or avoided were there a gold currency in India because gold sovereigns would then be shipped at much less cost to the shipper than silver which has in consequence of this demand risen some three to four per cent. 10 price. The Governor General does not admit that the evils in question are such in degree as to call for the adoption by the Indian Government of a measure which would be embarrassing and hurtful within India itself. The native shroffs and merchants believe (and the Committee of the Chamber concur with them) that the proposed measure if adopted will prove to be the very roverse of embarrassing and hurtful to India and to England, and the other countries with which she now carries on such an important trade It would greatly facilitate the exchanges between India and

those countries, and the adjustment of the heavy balance of trade always in her favour to the advantage of all conceined, a consideration of importance, and by no means to be overlooked by those to whom the Government of India is entrusted in estimating what is best calculated to promote her progress as a commercial nation.

In estimating the advantages of gold as compared with a silver coinage, the native shroffs and merchants have omitted the greater durability of gold and the less tear and wear, and therefore the greater economy of the gold in comparison with the silver coin, the wear and tear of gold being estimated at one-tenth, and of silver at one-third per cent. per annum.

The Committee of the Chamber, in suggesting for the consideration of His Excellency the Governor General in Council the expediency of adopting gold as a legal tender to the amount of 20 sovereigns or 200 tupees, fixed that limit in the expectation that being so very moderate a change, His Lordship was not likely to meet it with any scrious They would have suggested a much more extensive alteration if there seemed any probability of its being entertained—the views of the Committee of the Chamber being in favour of adopting gold as a standard in place of silver, and of making silver and copper ancillary to gold, in the same proportion as in the currency of Great Britain The adoption of the English standard, they are persuaded, would, in the course of time, result as beneficially for India as upwards of forty years' experience has proved it to have done for England, who effected the change in her standard in 1816, after having contracted upwards of 800 millions of her debt, while India's obligations to her creditors do not at present amount to more than 100 millions, chiefly of recent contraction

In conclusion the Committee of the Chamber direct me to state that they feel so satisfied of the benefits that will be sure to result from the admission of gold, even as a subsidiary currency, into India, that they will be thankful if the Governor General in Council will be pleased, as an experiment, to sanction gold as a legal tender to any smaller amount than 20 sovereigns, down to 2 sovereigns as a minimum Financial Despatch from the RIGHT HON'BLE SIR CHARLES WOOD, BART, G. C. B., Seey of State for India in Council, to His Excellency the Right Hon'ble the Governor General of India in Council,—No 109, dated 4th November 1859

The question of the introduction of a Government paper currency for India, which forms the subject of your despatch dated the 27th April 1859, No 61, has received from Her Majesty's Government the consideration due to its importance.

- 2 In the Memorandum which accompanied your despatch, your Financial Scoretary suggests the issue of local Notes by Government, the same to be receivable at the option of the public, and to be convertible at a few large treasures, conveniently situated in circles of country from 300 to 400 miles in diameter—the lowest denomination of such notes to be 10 rupees
- 8 You, however consider that, although such a measure would certainly be productive of some advantage and would prove convenient both to the public and the Government, it is nevertheless open to serious risk and that there is at present an objection to the scheme on the ground that it would be navise to introduce it while the security of the Indian Government is still regarded with some degree of mistrust by the Indian community
- 4 Her Majesty's Government are fully sensible of the advantage which might be derived from introducing a well regulated paper cur rency into India, but the wisdom of cautiously avoiding any measure calculated however slightly, further to increase the sensitiveness of the Indian money market is so manifest, that they are not disposed at present to direct the introduction of a paper currency, whether in the form of Government Notes or by means of extended privileges to the chartered Banks. I am, however, anxious that your attention should continue to be directed to this subject and I shall be prepared to give overy encouragement to a well considered measure for the purpose, when ever the time shall appear to you to have arrived for introducing it.
- 5 As being intimately connected with this question, the advant age of giving to the "sovereign currency in India, at a rate to be fixed from time to time by Government, has also been under consideration. At the present time the gold modur, or 15 rupes piece, is not receivable.

at the Government treasures, its receipt having been prohibited by a Notification dated 22nd December 1852, when it was found that the mohur would not circulate at the prescribed rate of 15 rupees, but was freely returned to Government to be exchanged for silver, and an apprehension was entertained that the Government treasures might be overloaded with gold.

6. A similar result might, in certain cases, arise from the circulation of the "sovereign" at a fixed rate, and as there is considerable difficulty in adopting any measure which has been suggested for the purpose of giving currency to gold coins, Her Majesty's Government refrain from issuing any directions on the subject, until it shall have been further considered by your Government.

Minute by the Right Hon'ble James Wilson, dated 25th December 1859.

- In the Financial Despatch, No. 109, dated the 4th of November 1859, from the Secretary of State, upon the subject of a paper currency for India, the consideration of the Indian Government is invited to the question which has recently been much discussed, of introducing the English sovereign, or some other gold coin, into the circulation of India, as being one intimately connected with that of a paper currency.
- 2 The discoveries of gold of late years, and its diminishing price in relation to silver, added to the great demand which has latterly existed for the latter metal for shipment from England to India and China, have combined to create a strong public feeling in favour of making use of gold, in some form or other, as part of the circulating medium of India.
- 3. No one will be inclined to deny that if we had to begin a system of currency de novo, the most convenient of all the various systems now in practice would be found to be that used in England, where gold is the standard, gold coin the general money in circulation, and silver tokens of limited tender the subordinate coins.

- 4 But we have to deal with a long-established standard of silver m India, in which habilities to a large amount, in the shape of public debt and obligations of varied character, running over a long series of years, have been incurred in silver For it must be borne in mind that a contract to pay a given sum of money is nothing more or less than a contract to deliver a given weight of that metal which is the standard at the time the contract is made, and that to alter or vary the standard, and to adopt another metal because it is cheaper, is simply to enable the debtor to break faith with the creditor It is true that the metal in which a debt has been contracted muy fall in value by a large increase in its quantity but that is a risk which the creditor runs, and of which he has no right to complain. In like menner the metal may rise in value, but that is n risk which the debtor incurs when he enters into the transaction and of which, therefore, he has no right to complain. If two men enter into a contract, one to deliver and one to receive a given quantity of wheat at a distant day however much wheat may have fallen in price in the mean time, the receiver has no right to com plain, any more than the deliverer would have had it in the mean time risen as much in price. But if the person whose duty it was to deli ver wheat finding that it had risen much in price since the contract was made sought to deliver barley or some other grain which in the mean time had become relatively cheaper the injustice of such an attempt would be patent. But it would be equally unjust, after a contract had been made in a silver standard to change the standard into gold because it was becoming more plentiful, and in relation to silver, likely to become cheaper
 - 5 Since the first discovery of California, this subject has been much forced into discussion owing to the various ways in which a great and sudden increase in the supply of gold was likely to affect various countries. The first impression was that a great fall would take place in the price of gold as measured in silver. Up to this time, however, the change in the relative value of these two metals does not at the outside exceed five per cent. Before the gold discoveries, silver was rarely so low as 4s 11d the cunce. Since, it has seldom reached, or at least exceeded 5s 2d the cunce. But under the apprehension of a fall the Government of Holland, proverhal for its caution was the first to take alarm, and having then a circulation of both gold coins and silver coins, which were a legal tender at a fixed relation to each other, they demonstrate the gold coin, leaving silver, the saccent standard, the only legal tender

- 6. In Belgium a similar state of things existed Their standard and chief coins were silver, but they had, chiefly for the convenience of travellers, attached a fixed rate to the gold coins of England and France, and had coined 20-franc pieces of their own. They followed the example of Holland, demonstrated gold, and fell back upon the single silver standard and coin.
- 7. In India, coins both of gold and silver were in partial circula-The mint proportion which those coins bore to each other was, that of 15 153 of fine silver to 1 of gold. The gold coin was not, however, a legal tender; but as the intrinsic value of the gold coin in the market was at least equal to the silver supees which it represented, there was no difficulty in passing them, and the Government accepted them in the public treasuries at the nominal rate at which they were coined, but as soon as the piece of gold began to fall, and the gold mohur piece was no longer of the same value as 15 silver supees, it was evident, if the Government continued to receive them into the treasures, without the power of paying them out at the same rate, that a great accumulation of gold pieces would have taken place, which the Government could not use as money, and upon which in the sale it must have lost eon-To avoid this the Government had the choice of two plans; siderably the one to reduce proportionately the rate at which the gold coins would be received, so as still to leave a margin for loss, the other to prohibit the receipt of gold coins altogether, and to accept only the legal tender coms of silver. They adopted the latter
 - 8 In the United States at that time they had a double standard of gold and silver, and coins of each metal; but as silver became dearer in proportion to gold, it was shipped away to so great an extent as to lead to great inconvenience for the want of small coins, the place of which could not be supplied with gold. In 1853, therefore, the American Government had recourse to the plan of reducing the weight of the silver coins (the dollar being reduced from 412½ grains to 384 grains of silver), so as to make them tokens, like the English silver coins, limiting their tender to five dollars, and thus adopting a single standard of gold.
 - 9 In France a double standard had prevailed, at least since the decree of Napoleon the First in 1801. By that decree the relative value of gold and silver was fixed in the proportion of 1 to $15\frac{1}{2}$, but as 6 francs are retained at the mint for coining a killogramme of gold into 155 pieces of 20 francs each, and $1\frac{1}{2}$ francs are retained for coining a

killogramme of silver into 40 pieces of 5 france each, the proportionate value of the two metals as coined is, 1 of gold to 1554, rather above 15½ of silver

- 10 From 1801 to 1850 the market price of gold had always a tendency to rise, and, being more valuable in proportion to silver than the rate fixed by the decree of Napoleon, disappeared altogether from circulation, and commanded a premium Silver consequently became the only actual carculation Since the gold discoveries the price of gold has fallen somewhat below the fixed rates, and in consequence, since 1850, a sum equal to one hundred and thirty millions sterling of gold has been coined at the French mint, and a corresponding amount of silver has been exported. For many years prior to 1850, little or no gold had been comed. This has led to a daily increasing scarnity of small com, and to great moonvenience as a consequence and it is quite certain, if the price of silver continues to rise, that the French Government must resort to some such plan as has already been adopted in the United States, in order to maintain in circulation silver coins for inferior denominations. Indeed it is chiefly the fact that a large portion of the silver coin now in circulation in France has become considerably reduced below their full value by wear that has prevented their being exported
- 11 In all the German States in which formerly gold come circu lated at fixed rates they have been demonstrated and under a convention made in 1857, to which I shall have further to allude hereafter, silver has been reverted to as the sole standard.
- 12 From these examples it would appear that wherever the integrity of the single standard had been in any degree departed from, the small change in the relative prices of the metals which has taken place, not exceeding, as I have shown, five per cent., has immediately led to inconvenience and to an alteration in practice which in the matter of the money of a country is always to be deprecated. In England, fortunately, the single standard has not been tampered with, and it is accordingly, almost the only country in which no change whatever has been made in consequence of the gold discoveries. No doubt there were at first not wanting those who, being owners of the public stocks or recipients of fixed incomes, endeavoured to create a feeling in favor of some change in order to avoid the depreciation in their property which they apprehended from the reduced value of gold. But they were at

once reminded that all contracts were made in gold, and that, whether gold rose or fell in value, the contract as between debtor and creditor must be maintained.

- 13. With all this experience before us, we are called upon to consider how far it would be wise again to tamper with the principle of a single standard in India, by admitting gold coins into the circulation under some assumed regulation which would avoid inconvenience.
- I at once say that I know of no conceivable regulations by which such an object could honestly be attained. But I am willing to consider all the various proposals which have been made for that purpose. These may be divided into five heads First—Some propose the "sovereign," or some other gold coin, should be introduced, and which should cuculate at its market price from day to day, measured in silvei. Second-Others propose that such a gold corn should be made, bearing the exact value of a given number of rupees, say 10, and that it should be made a legal tender for that sum for a limited period, say a year, when it should be re-adjusted, and again valued, and made a legal tender for a further similar period at the new rate Third-Some propose that the English sovereign should be introduced as a legal tender for 10 rupees, but limited in amount to 20 rupees or 2 sovereigns Fourth-Some propose to preserve a single standard, but to change it from silver to gold, adopting silver tokens for subordinate coins. Fifth-Some propose the simple adoption of a double standard of silver and gold, which all the others repudrate.
- 15. As applicable to most of these schemes, I may remark, that the chief object of a coin is that it shall represent a defined and fixed value well known to the simplest of the people. When it is deprived of this quality, it is reduced to the mere condition of a commodity which is to be bought and sold at rates varying with the fluctuations of the market. The true attribute of the coin is thus given.
- of the four plans, for supplementing the Indian currency with gold coins. And if we consider what the practical effect would be, the proposal must be dismissed as wholly impracticable. Let a gold piece be coined to-day, representing the exact value in gold of 10 rupees, to-morrow the price of gold, either from a change in its intrinsic value, or from an alteration in the exchanges with England, where it is the sole standard, rises to Rs 10-4, next day it rises to Rs 10-8, in a day or two more, an importation having taken place from Australia, it falls

to Rs. 9 12, and then to Rs. 9 8, and so on, being influenced by all the accidents from day to day which determine the price of gold expressed in silver

- 17 These fluctuations moreover, may not only take place from day to day, but even during the same day. It would be impossible that such coins could answer the place of money. The Cambists and money dealers could, no doubt buy and sell and deal in such coins, just as they do now, in the metal itself, but except the fact that the quantity and quality of the metal would be ascertained without weighing or assaying, they could just as easily deal in and buy and sell gold bars. To call a coin "money, the value of which could not be vouched for from one day to another, to say nothing of the trouble of ascertaining and compiting the fluctuations, would be a mere mishomer, and it is certain that no community would suffer the risk and inconvenience of such a system that could possibly avoid it.
- 18 The second plan proposed, though not open to the same objections, is still open to others almost as grave. A gold com is to be made the exact value of 10 rupees it is by law to be declared a legal tender for that sum for a year or some specific period of time both in the hands of the Government and the public. During that period the price of gold, measured in silver is continually falling a profit is gained by the bullion-dealers by importing gold, getting it coined, and forcing it into circulation at the fixed periodical rate. As the year draws to a close when it is known that the rate will be revised and the circulating value of the coin reduced in conformity with the fall of gold, every one makes an effort to get rid of the gold coin—a struggle takes place in which the public exchequer takes a prominent part for every one to divest himself of gold coins, and thus to avoid an inevitable loss. But on some one it must fall and there could not but be great dissatisfication in the public to find, on a given day, the value of a large quantity of the coin in its possession, which they had no choice to refuse, depresented by two, three, or four per cent.
- 10 When the monetary convention was entered into between the Austrian Government and the States of the Zollverein in 1857, with a view to obtain a uniform and general currency, silver was adopted as the existing standard; but as some States were anxious to retain a right of coming gold, after the greatest consideration, no better plan could be devised than this most imperfect one. But the difficulty of giving

a fixed value was found to be so great, that Article XVIII of the treaty declares that "the silver value of the conventional gold coms "will be alone regulated by the relation of the supply to the demand, "and they will, therefore, not possess the property of representing an "amount of legal silver comage as a medium of payment." But it is further provided by Article XXI, "that each State is to be at liberty "to allow such gold coms to be taken at their treasuries, in lieu of silver, "at a rate of exchange to be beforehand decided upon—Such pre-"decided rate of exchange shall last, at the utmost, six months, and at the "close of the last month is to be each time reconsidered for the next "similar period."

- 20 As far as I can learn, and as might have been expected, a system of gold currency so imperfect and exposed to such uncertainty has practically remained a dead letter. To show the opinion which the parties to the convention entertained of the plan, they took care, in Article XXII, to stipulate that all paper money issued by the State should be solely for silver, and payable in that metal I may conclude, then, that it would not be thought desirable to adopt this plan.
- 21. The next and third proposal is to permit the circulation of the sovereign to a limited amount, say of 20 rupees This idea seems to have originated in the system adopted in England of giving to the silver coins the character of tokens, not of full value, and limiting the But it must be borne in mind, that while this can amount of tender be done with the low-priced metal, which represents small transactions, it cannot be done with the high-priced metal, the chief object of which is to represent large payments. The objections to the plan may be thus stated as long as gold was of a value above the ratio which the coin represented, it would not be circulated at all, but when it fell below that value, every effort would be made to force it into use. The consequence would be that shop-keepers and small dealers would receive many of their payments in a coin with which they could not make large payments without a loss They might receive 1001 in a day from fifty customers, and when they came to place the 1001 in the Bank, or to use it for a payment to a merchant, they would have to submit to a loss equal to the discount upon the gold From the Mint Regulations in England a similar loss cannot happen A similar source of loss would be experienced by railway companies, whose fares would be paid in a com which they could not dispose of in large sums, except at a loss.

- 22 The fourth proposal is to adhere strictly to a single standard, but to change it from silver to gold. As I have already said, I freely admit that if we had to begin de novo, convenience would point to a gold standard with silver token coins as the best, although public opinion has been by no means agreed upon this point. It is curious to observe the fluctuations of views upon this subject, and how much they are governed by expediency and convenience at the moment. In 1887, during the panio, silver happened to be rather abundant in the London market, and difficult to be converted into bank notes or gold, not being a legal tender A great pressure from the merchants of London at that time, and again in 1847 under amilar circumstances was made upon the Government of the day to admit silver into circulation, exactly similar to that which now prevails in respect to gold where silver is the standard. I have a very clever pamphlet lying before me, cutitled "The Injury, Insufficiency and Inconvenience of a Gold Standard," in which arguments are used quito as strong against that system as now prevails against a silver standard. If a Government were to vacillate in n vital matter of this kind according to the convenience or interest either of the debtor class or the creditor class the integrity of any standard would be entirely lost.
- 28 But though I admit that n gold standard does possess superior ndvantages, yet, as I have already shown, in n country where all obligations have been contracted to be paid in silver, termake a law by which they could forcibly be paid in anything else would simply be to defrand the creditor for the advantage of the debtor, and to break public faith
- 2.3 The fifth and last plan proposed is to adopt a double standard such as prevailed in the United States previous to 1858, and such as still prevails in France. The system of a double standard is practically a per mission for the dobtor to pay his dobts from time to time in the cheapest of the two metals. As I have already remarked, where such a system has existed from ancient times and when under it the great bulk of obligations have been contracted, the creditor has no right to complain of being paid from time to time in the cheapest of the two metals because that was the condition of his contract but in cases where a single standard has long prevailed the adoption of a double standard is just as much a breach of faith as a simple change of the standard for it must be plain that the introduction of in double standard is practically the adoption of the observer of the two metals at the time

- But unjust as such a change would be, inconvenient as a double standard has proved in practice, and inconsistent as it is in principle, yet I have no doubt, if it is desired to have the use of both metals in a circulation of full value as coin, that it is the best mode in which that object can be attained. In all the other ways in which it has been attempted to enculate gold coms with a silver currency, the principle either of a varying value from day to day, or that of a periodical adjustment of value, the coin circulating in the mean time as a legal tender, has Under either of those plans, the holders are less or been found needful more subjected to immediate and individual loss; in the case of periodical adjustment, as is proposed in Germany, it may be to considerable But in the operation of a double standard, the one coin, which is gradually becoming of less intrinsic value, gradually and from day to day, displaces the coin which is undergoing appreciation, large supplies of the cheapening coin come from the Mint, and corresponding quantities of the appreciating com are brought up and exported at a profit, but as long as the two coms circulate together, and to whatever extent they do so, they are in the hands of the public of the same nominal value, and continue, without any intermission, to answer the same purpose for all However objectionable, therefore, a double standard may be, and however meonsistent with theory, I hold it to be the least objectionable of all the plans yet proposed for combining the use of the two metals in coins of full intrinsic value circulating in the same currency
 - But I would ask, what advantage could be expected from the adoption of gold in India? Upon this subject there is, I believe, much It is said that gold is becoming more plentiful, and confusion of ideas that the demand for silver is making it scarce. Now, the extent to which this is true in practice must be measured by the rise which has taken place in the market price of silver, which I have shown does not exceed But supposing it were greater, would that be a leason for five per cent If India requires a supply of the precious metals, it can using gold? only be obtained in exchange for its products in foreign markets, and the quantity of those metals, whether of gold or silver, will be obtained in the exact proportion which they bear to the products of India for India is quite as well off to receive silver as which they are exchanged gold, and perhaps better, masmuch as silver seems to be an appreciating metal, while gold is probably still falling Nor can it be deemed to be a disadvantage to India that the silver remitted for its products has to be obtained in exchange for the gold received from California or Australia in

MINUTE BY THE RIGHT HON'BLE I WILSON

London These different movements in the distribution of the precious metals to the points at which the exchanges of the world direct them are all determined by general broad principles, which are self-acting, and which any artificial attempt to disturb or control can only tend to derance.

- 27 In whatever form India receives its payments from the exterior world for the balance of its exports over its imports, whether in gold or in silver, can matter not, so long as the full value is received.
- 28 I know it is said that gold coins are much more convenient for circulation than silver. If this refers to the removal of Government treasure from one part of the country to another, then I much doubt if any important advantage would attend gold coins. The expense of removing coin is no doubt in a very small degree determined by its weight and bulk but to a much greater extent by the necessity of protecting it. It would require just as much of an except to protect the sum of 100,000 k in gold as if in silver and perhaps even more so, inasmuch as the compactness and lightness of gold would render it a more tempting and handy prize to the robber than bulky and weighty silver. Again I doubt much whether there would not be somewhat greater danger to local treasuries containing gold coin than silver. It is a very suggestive fact, that during the mutiny the gold moburs of 15 rupees commanded such a premium, owing to their greater convenience for concealment or removal, that the price of 26 and 27 rupees was given for them
- 29 But if the convenience referred to alludes to the use of gold come or private expenditure, then I readily admit their value to that extent But I would submit that for this purpose, and for all others that have been suggested a well regulated paper currency, such as I have described in another Minute of this date would answer much better, while the ancient single standard of the country in which all existing obligations have been contracted would be maintained in all its integrity

JAS WILSON

GOVERNOR GENERAL'S CAMP;
MERBUT,
25/4 December 1859

FINANCIAL DEPARTMENT,—No 3.

To the Right Hon'ble Sir Charles Wood, Bart., M. P., Her Majesty's Secy. of State for India,—dated Camp Delhi, 29th December 1859.

Sir,—In continuation of my separate letter of this date, No. 2, I have the honor to forward, for your information, copy of a Minute by the Right Honorable Mr Wilson, dated 25th instant, on the proposal to introduce a gold currency into India.

I have, &c., CANNING.

Financial Despatch from Sir C. Wood, Bart, G C B., Secy. of State for India, to His Evcellency the Right Hon'ble the Governor General of India in Council,—No 86, dated India Office, London, 26th May 1860.

My Lord,—I have to acknowledge the receipt of your Excellency's Despatch in this Department, dated the 29th December last, No 3, forwarding a Minute by Mr Wilson, on the question of the expediency of introducing a gold currency into India.

Without entering into the reasons contained in Mi Wilson's Minute, Her Majesty's Government concur in the opinion therein given, that it is not advisable at present to take measures for introducing a gold currency into India, as they believe that the wants of the community will be better met by means of a paper currency, the introduction of which was sanctioned in my Despatch in this Department, dated the 26th March last, No. 47.

and not less exchangeable value than that which represented money, when the debt was contracted.

"But I do not wish to discuss the subject further, for the other practical difficulties of introducing a gold currency, concurrently with the enormous silver currency now in existence, are, if not insuperable, so great, that I should be afraid of delaying the measure indefinitely if I attempted to solve them.

"All that I propose is one simple alteration, not at all inconsistent with the principle of the Bill, as it stands, and of a silver standard. It is this.—

"In England, where gold is the sole standard, the Bank is authorized to issue paper, to the extent of not more than one-fourth of its circulation, against silver

"I would reverse the process, and provide that, of the paper circulation of India to be issued against actual coin or bullion, a proportion, not exceeding one-fourth, might be issued against gold coin or bullion, at lates to be fixed by proclamation, and which might be periodically adjusted with proper notice

"The rate would have to be fixed so as to seeure the State from risk of loss in having to convert this gold into silver, in order to meet the notes which had been issued against it, and this would necessitate a low rate at which gold would probably not be taken to the Mint, to exchange for paper under ordinary circumstances. But, on special occasions, and in particular transactions, it might be a great advantage to the mercantile community to know that gold could be made available, as money, at a fixed rate, and I think it not impossible that, with a minimum value thus established at which it could be taken at the Mint, and at Government Treasuries, the superior convenience of gold and its attraction for the Native population, might give it a marketable value, at which it would be largely imported If, for the sake of illustration, the sovereign were taken at the Mint and principal Treasuries at ten, or the gold mohur at fifteen rupees, it is quite possible that their market value would range up to eleven or sixteen rupees respectively, in which case, without risk to the Treasury, and without disturbance to the silver standard, gold would flow in, a great convenience would have been afforded to international commerce, and to the general public, and a foundation of experience laid upon which, after careful induction, it might be possible to go further in the same direction.

Extract from a Minute by the Hon'ble S Liaing, on the Paper Currency Bill

"There is another point of considerable importance, on which I purpose to introduce an amendment.

"The Bill, as now framed, contemplates the absolute and entire exclusion of gold from the circulation of India

"I must confess that I feel very reluctant to base a great measure, for reforming the circulation of India, on the total exclusion, for all time to come, of that form of the precious metal which is indisputably the most convenient for many purposes, and which is the chief or sole standard of all the principal nations of the civilized world, with which we have commercial intercourse.

"Surely it is not desirable that the trade of India, with such coun tries as Australia or the United States should be for ever taxed with the difference of the cost between sending gold direct here or sending it first to London, then probably to France or Germany, to exchange for silver, and finally sending that silver to Bombay or Calcutta

"It is universally admitted that, if we could begin do noro, the English system of a gold standard with a silver token currency for small amounts and convertible paper for large payments, would be the most desirable, and if we cannot at once attain this object, we ought, at least, to approximate to it as nearly as we can, and leave an opening for possible further progress.

"I am aware of the arguments urged in Mr Wilson's able Minuto of the 25th December 1859 against any form of a double standard.

"I do not concur with many of these arguments, more especially with the fundamental one, which lays down that it would be a breach of faith, under any circumstances, for the State to pay in gold habilities contracted in silver

"Several of the principal nations of the civilized world have practically changed their standard, without suspicion or breach of faith: France and the United States, for instance from silver to gold, Holland and other States, from a double standard of gold and silver to one of silver only, and if this were the only obstacle, I think arrangements would be easy by which the public creditor might have the most ample security for being paid in money, represented by coin of not less intrinsic and not less exchangeable value than that which represented money, when the debt was contracted.

"But I do not wish to discuss the subject further, for the other practical difficulties of introducing a gold currency, concurrently with the enormous silver currency now in existence, are, if not insuperable, so great, that I should be afined of delaying the measure indefinitely if I attempted to solve them

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"I would reverse the process, and provide that, of the paper circulation of India to be issued against actual coin or bullion, a proportion, not exceeding one-fourth, might be issued against gold coin or bullion, at rates to be fixed by proclamation, and which might be periodically adjusted with proper notice

"The rate would have to be fixed so as to secure the State from risk of loss in having to convert this gold into silver, in order to meet the notes which had been issued against it, and this would necessitate a low rate at which gold would probably not be taken to the Mint, to exchange for paper under ordinary circumstances. But, on special occasions, and in particular transactions, it might be a great advantage to the mercantile community to know that gold could be made available, as money, at a fixed rate, and I think it not impossible that, with a minimum value thus established at which it could be taken at the Mint, and at Government Treasuries, the superior convenience of gold and its attraction for the Native population, might give it a marketable value, at which it would be largely imported. If, for the sake of illustration, the sovereign were taken at the Mint and principal Treasuries at ten, or the gold mohur at fifteen rupees, it is quite possible that their market value would range up to eleven or sixteen rupees respectively; in which case, without risk to the Treasury, and without disturbance to the silver standard, gold would flow in, a great convenience would have been afforded to international commerce, and to the general public, and a foundation of experience laid upon which, after careful induction, it might be possible to go further in the same direction.

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"The rate would have to be fixed so as to secure the State from risk of loss in having to convert this gold into silver, in order to meet the notes which had been issued against it, and this would necessitate a low rate at which gold would probably not be taken to the Mint, to exchange for paper under ordinary circumstances But, on special occasions, and in particular transactions, it might be a great advantage to the mercantile community to know that gold could be made available, as money, at a fixed rate, and I think it not impossible that, with a minimum value thus established at which it could be taken at the Mint, and at Government Treasuries, the superior convenience of gold and its attraction for the Native population, might give it a marketable value, at which it would be largely imported. If, for the sake of illustration, the sovereign were taken at the Mint and principal Treasuries at ten, or the gold mohur at fifteen rupees, it is quite possible that then market value would range up to eleven or sixteen rupees respectively, in which case, without risk to the Treasury, and without disturbance to the silver standard, gold would flow in, a great convenience would have been afforded to international commerce, and to the general public, and a foundation of experience laid upon which, after careful induction, it might be possible to go further in the same direction.

"If on the other hand, gold did not enter into circulation under these conditions, it would prove that silver, with a secure and convertible paper currency gave perfect confidence, and answered all the wants of trade and of the community and the enactment would remain a dead letter, and be perfectly harmless.

"The object would be attained by a short provise at the end of the 9th Section."

Extract from the Select Committee's Report, dated 16th February 1861, on the Paper Currency Bill

"With reference to the question of gold, we have introduced an important amendment.

"Without attempting to discuss the questions which have been ruised respecting a double standard or to depart in any respect from the principle of a sole silver standard, we have thought that it would be a considerable advantage to provide for the possible application in India of the same principle as regards gold as is applied in England in regard to silver

"In England, where gold is the sole standard the Bank of England are anthonized to issue not exceeding one-fourth of their gold coin and bullion against silver

We have given a power of issuing up to one-fourth part of that portion of the circulation of India, which is represented by actual coin or bullion, against gold coin or bullion, at a taste to be fixed by the Government from time to time, and not altered without six months' notice.

"With ordinary prudence the Government cannot lose by taking a limited amount of gold at a price to be fixed by itself, while it may be a great convenience to commerce in many cases to know that gold can be made available as money at a certain fixed rate.

"Nor is it impossible that, if a certain fixed minimum value be thus given to gold, and it can be freely taken at the Government Treasuries at this rate, the superior convenience of gold and its adaptation to Native wants, may give it a higher value, and thus in course of time, a considerable auxiliary gold currency may be introduced. Should these expectations not be realised no harm will have been done and the clauswill simply remain a dead letter showing that with a sound paper or culation superadded to silver, nothing more is wanted."

Extract of the Paper Currency Bill

(* Section IX of the Original Bill)

The Head Commissioner, the CommisWhen such Notes may stoners, and the Debe issued. puty Commissioners or
Agents shall, in their respective "Cheles of
Issue," on the demand of any person, issue
from the Office of Issue of their respective
Circles such Promissory Notes, on the terms
following.—

First, in exchange for the amount thereof in silver coin of full weight of the Government of India; or, secondly, in exchange
for the amount thereof in standard silver
bullion or foreign silver coin computed
according to such standard at the rate of 1
979 Rupees per 1,000 tolahs of standard silver
fill for coinage, provided always that the
said Head Commissioner, Commissioners, 2
Deputy Commissioners, and Agents shall, in
all cases, be entitled to require such silver
bullion and foreign coin to be melted and
assayed at the expense of the person tender-

ing the same, and pro-Proviso vided also that in all places where there is no Mint of the Government of India, it shall be optional for any such Head Commissioner, Commissioner, 3 Deputy Commissioner, or Agents, to issue Notes in exchange for silver or foreign coin under this Section, oi, thirdly, in exchange for other Notes of the Government of India payable to bearer on demand of other amounts issued within the same Circle. Provided also, that it shall be lawful for the Governor General in Council from time to time to direct, by order to be published in the Gazettes of Calcutta, Madras, and Bombay, that Notes to an extent not exceeding one-

1per ounce;

²and

3for

fourth of the total amount of usues represented by coin and bullion as hereinafter provided, may be usued at such Offices or Agencies of Issue as may be named in the order, in exchange for gold coin of full weight of the Government of India, or for foreign gold coin or gold bullion computed at rates to be fixed by such order and which rates shall not be altered without in months' orcumes notice

Extract paras 21 to 24 of a Dospatch from the Secretary of State, No 75, dated 2nd May 1861

21 —"I am not insensible to the possible advantage which might arise from the introduction of the sovereign as the current coin of India, (as it is, I believe, in Ceylon) but, at the present relative intrinsic value of gold and silver, no combination of Indian coins can express the value of the sovereign. If by any change in the relative value of the two metals, a sovereign and 10 rupees were to become of equal intrinsic value, the sovereign might readily be introduced, and become the standard coin of India but it present it can only be taken in its value as gold, and that value will vary from time to time, according to the demand at the moment for that metal.

22 —"This value must be determined amongst traders for them selves, and the Government will only embarrass itself and effect no purpose, by attempting, in any way, to vary or alter the ordinary operations of trade

23 —"If gold should over become the standard of India, the reserve of the Issuing Binks would be held in gold, and not in alver, and in that case all this provision of the Act would have to be changed

24 —"I will not, however, object to the power given by the clause; but I desire that it may be used to a very limited amount, and only in the Presidency towns"

Extract from a Minute by the Hon'ble S. Ling on Currency and Banking,—dated 7th May 1862.

"The only remaining point to notice is as to the partial introduction of gold. I have always thought that the step taken by the Indian Government, in December 1852, of refusing to accept gold at the Government Treasuries, was a mistake. Gold being the most convenient and portable metal, and becoming more and more every day the currency of nearly the whole civilized world with which India has commercial transactions, it seems to me very undesirable to exclude gold altogether from the ordinary range of its monetary transactions.

"Were it possible to create de novo a currency for India, there can be little doubt that one similar to that of England would be the best, viz., with a gold standard and gold coins for moderate sums, a silver token currency for small transactions, and notes representing gold for large amounts. But with a silver standard and an immense silver coinage actually existing, the introduction of a gold coinage becomes difficult.

"I do not agree with many of the objections which have been urged against the adoption of a double standard, and if the alternative had lain between this and the abandonment of the principle of uniformity, by issuing notes in distinct circles, I should not have hesitated to prefer the double standard

"But this object being attained, there are no doubt difficulties in the way of a double standard, which it is better to avoid, and in fact the adoption of a double standard may be probably looked upon as a transition process to the abandonment of a silver and substitution of a gold standard.

"This involved an amount of change which, especially under existing circumstances, when a season of tranquillity and repose in financial and monetary matters is very desnable, I was not prepared to recommend, and accordingly the only provision respecting gold inserted in the Currency Act was one by which the Government were empowered to issue notes to a limited extent, never exceeding one-fourth of the issue represented by coin or bullion, against gold coin or bullion, at rates to be fixed from time to time, and not altered without six months' notice.

"The object of this was simply to leave the door open for cautious and tentative experiments with regard to the future use of gold. The importation of gold already exists and is increasing, and the metal is so

much appreciated by the Native population as generally to command a premium It might therefore be a convenience to importers, and an encouragement to increased importation, if it were known that a certain quantity of gold could always be converted into money at a fixed rate. while, if this rate were fixed with a little margin below the ordinary market price and adjusted, if necessary, every six months, no risk of loss to the Government would be experienced Thus, after a time, if the use of gold became more general, and its value more fixed some further step might be taken, but in the mean time the clause would only be acted upon where it was shown that it would be a convenience to commerce and that the Government would run no appreciable risk. Indeed I should recommend the Government to wast for n year or two s experience of the working of the system just mangurated before they take any step to put this clause as to gold into operation unless upon an application from the mercantale community of one of the Presidencies based upon strong grounds of practical convenience, in which case notes might be assued for gold at a safe rate at the Central Office of Issue of that Presi dency '

Extract paras 59 to 64 of Secretary of State's Despatch No. 158, dated 18th September 1862

- 59 There is one other point put prominently forward in recommendation of that part of the scheme which relates to issuing notes on gold, i. e., that it will effectually contribute to the introduction of a gold currency in India, on which I must make some remarks.
- 60 —" How that result is to be produced is not explained. All that can take place under this provision is, that gold may be deposited with the Issue Department and paper money issued thereon. The gold will remain in deposit until it is required by the public for consumption in trade, or for export. When so required, it will be taken from the Issue Department, and the notes taken out of circulation. In no case will the gold form part of the currency
- 61.—"The only effect, therefore likely to arise from that provision if acted upon to any extent, is, that the paper circulation of India will be subjected to variations which would not have occurred with a circulation of silver, and of paper based on silver
- 62 "The question of introducing gold into circulation in India is a very important and very difficult one, but it has nothing to do with the issue of notes on gold.

- 63—"The difficulties are of a practical nature, arising mainly from the uncertainty of the relative value of gold and silver, which is not likely to be determined while fresh discoveries of gold are being made.
- 64.—"If by any change in the relative value of the precious metals, the sovereign and 10 silver rupees should become of equal intrinsic value, the introduction of gold would be of comparatively easy accomplishment. At present, however, Her Majesty's Government do not consider that it would be expedient to take any step with a view to that object."

To the Right Hon's in Sir John Lawrence, Bart, G c B., K. 8 1, &c. &c. &c. Ticeroy and Governor General of India in Council

> The respectful Memorial of the Bombay Association

Sheweth,—That your Memorialists beg respectfully to submit for the serious and favorable consideration of Your Excellency in Council, the following representation in regard to the question of the introduction of a gold currency into India —

- 2 That the existing silver currency is no longer adequate for the wants of India, and that commerce begins to be seniously crippled by its inefficiency
- 3 That from time immemorial until some years ago, India possessed an extensive gold currency
- 4 That the superior convenience of this circulating medium was well understood by the natives of this country
- 5 That the measures adopted by the British Government for the regulation of the money of India had the effect of gradually suppressing a gold and extending a silver currency and that finally in 1835 an Act was passed declaring gold no longer a legal tender
- 6 That these stringent regulations have virtually extinguished a gold currency in India, but have by no means extinguished its popularity
- 7 That the few gold come remaining in circulation are greatly prized and command a considerable premium in the market
- 8 That rude attempts are made by some of the natives of India to romedy the defects of the present inconvenient silver currency, by circulating gold bars authenticated by the stamp of Bombay Banks.
- 9 That when the present currency was natroduced into India, silver was much more abundant than gold, and on this account was probably adopted
- 10 That large quantities of gold have now been discovered in adjacent countries, and that, this metal being now greatly more abundant than silver the same reason which originally led to the introduction of silver, now should suggest the expediency of the introduction of gold.

- 11. That India annually imports and absorbs more silver than the whole world annually produces, and that this excessive drain must inevitably lead to serious embarrassment both to India and to the rest of the world.
- 12. That India annually loses a large sum by being virtually forced to purchase silver brought from distant countries, and weighted with heavy charges.
- 13. That gold might be imported much more conveniently and cheaply from Australia, and not only save expense to the country, but promote the general interests of India.
- 14. That direct trade with Australia is prohibited by the present exclusive silver standard and currency, and the expansion of the commerce of India thus seriously impeded.
- 15. That India cannot re-sell silver reaching her so buildened by charges, without loss, and is therefore obliged to absorb it.
- 16. That India might obtain gold at a rate which would enable her profitably to distribute it, and that its introduction, therefore, would not only check absorption, but add materially to the reproductive wealth of the country.
- 17. That a silver currency convenient for the people of India a quarter of a century ago, when trade was limited, and payments, in the main, extremely small, is very inconvenient now that wealth is largely diffused throughout the country, and the operations of commerce have become so enormous.
- 18. That the transport of this bulky and cumbersome currency entails constant and useless expense upon the country, and its consequent sluggish circulation is a serious impediment to trade.
- 19. That India is not yet prepared for a paper currency, and that the Currency Act of 1861 does not provide any remedy for the defects of the monetary system, which, the late Right Honorable Mr Wilson admitted, "called loudly for amendment."
- 20. That currency notes do not circulate in the interior, and even in large towns in the Mofussil, only rank as Hoondies, and cannot be cashed except under heavy discount.
- 21. That the insufficiency of the existing currency has already caused severe financial embarrassment, and threatens the commerce of India with periodical and fatal vicissitudes.

- 22 That reform is, therefore, very argently required, and cannot be delayed without endangering national interests
- 23 That your Memorialists therefore respectfully pray your Excellency in Council to take this question into immediate consideration, and to restore a gold currency, which the altered circumstances of the world recommend, and which your Memorialists believe would be most popularly received in India, both from ancient associations and present convenience.

And your Memorialists as in duty bound will ever pray

VENAYECKROW JUGONNATHIRE,

Secretary, Bombay Association

BOMBAY, 8th February 1864

From E. H. Lubilliagron Esq., Seey to the Gort of India, Will Dept to the Committee of the Bombay Association—No. 1123, dated 29th February 1864

In reply to the Memorial of the Bombay Association dated 8th Fobru ary 1864, for the introduction into India of a gold currency, I am directed to state that His Excellency the Governor General in Council has this important subject andor consideration.

From II W I. Wood, Esq., Secy to the Bengal Chamber of Commerce, to Seev to Gort of India, Finl Dept,—dated 19th February 1861

I am directed by the Committee of the Chamber of Commerce to forward, for the information of the Right Honorable the Governor General in Council, n copy of a Resolution passed at a general meeting of the Chamber on the 17th instant.

2 The Resolution records the opinion that the introduction into India of an auxiliary gold currency would be attended with great benefit, and directs the Committee to address the Government of India on the subject, and pray for the appointment of a Committee to inquire into the best mode of introducing such an nuxiliary currency

- 3 In compliance, therefore, with that direction, the Committee have the honor to submit for the consideration of His Excellency their recommendation of the introduction of gold as an auxiliary currency, and their prayer that a Committee be appointed to inquire into the means best adapted for the introduction of such a currency.
- 4. The introduction of a gold currency into India is almost universally admitted as a positive necessity demanded by various circumstances, which have been gradually developed within the last few years, and the time appears to have arrived when that necessity should be at once recognised by the State, and measures promptly adopted for such a modification of existing monetary legislation as will best promote the commercial and social interests of the country.
- 5 The opinion of the Committee and of the Meeting was strongly in favor of the introduction of gold as an auxiliary currency, and as a tentative measure which they believe will gradually but surely lead to the adoption of gold as the general metallic currency of this country with silver as the auxiliary, but they are opposed to any sudden change being attempted, fearing that any such attempt would prove unsuccessful, and be likely to cause great derangement in the commerce and finance of India, and probably also in the money markets of Europe if a large quantity of gold were suddenly required to carry out such a change.
- 6 For convenience of reference, the Committee beg leave to append to this letter the correspondence which took place on this subject between the Government of India and the Chamber of Commerce in 1859, and they respectfully invite the attention of the Governor General in Council to the representation then made, and to the replies given to the several objections which had been raised to the proposed measure
- 7 In placing these papers before His Excellency, the Committee consider it unnecessary at this moment to enter into a further discussion of the question, for in the event of His Excellency being pleased to appoint the Committee applied for, a separate report will be presented, and every point in connection with the scheme will no doubt be prominently noticed.

Resolution adopted at a Special General Meeting of the Bengal Chamber of Commerce, held on the 17th Pebruary 1864

Resolved, that this Meeting is of opinion that the introduction of gold as an auxiliary currency into India would prove very beneficial and that the Committee be instructed to address the Government of India on the subject, and pray for the appointment of a Committee to inquire into the best mode of introducing such an auxiliary currency

From E. H. Lushington, Esq. Socy to Govt of India, Finl. Dept., to the Committee of the Bengal Chamber of Commerce,—No. 1124, dated 20th February 1864

In reply to your Secretary's letter of the 19th February 1864, for warding copy of a Resolution passed at a General Meeting of the Chamber on the 17th idem regarding the introduction into India of an auxiliary gold currency, I am directed to state that His Excellency the Governor General in Council has this important subject under consideration, but it is not deemed necessary to appoint a Committee to enquire into the best mode of introducing such an auxiliary currency

From A. D. Robertson, Enq., Offg. Chief Secy. to Goot of Bomlay, to Secy. to Goot of India, Find Dept.,—No 252 dated 7th March 1804

I am directed by His Excellency the Governor in Council to for ward for submission to the Government of the Secretary to the Chamber ho. 21 dated 16th February 1866.

Excellency the Governor in Council to for ward for submission to the Government of Indua the accompanying Memorial of the Bombay Chamber of Commerce * addressed to the Right Honorable the Vicercy and Gov

ernor General of India in Conneil, on the desirability of introducing a gold currency into India together with copies of the Minutes recorded by the Members of this Government on the subject

2 The Memorial of the Bombay Association referred to in para graph 2 of His Excellenov the Governor's Minute of the 23rd ultimo has, it is presumed been already forwarded direct to the Government of India by the Association. A copy of that Memorial, and of the letter of Mr W Cassels, referred to in the concluding paragraph of the Honorable M1. Inveranty's Minute, are also herewith forwarded.

3. The Minute promised by His Excellency the Commander-in-Chief will be submitted as soon as it is received.

To the Right Hon'ble Sir John Lawrence, g. c b., g m s 1, &c, &c, &c, Viceroy and Governor General of India in Council

The respectful Memorial of the Bombay Chamber of Commerce

SHEWETH—That the monetary condition of India is in a most unsound and unsatisfactory state, and that its exclusive silver currency is no longer adequate for the circulation of the increased and increasing amount of commodities through its vast population

That within the last ten years the trade of Bombay has been tiebled, and that last year the aggregate export and import tiade alone, of Calcutta, Madras, and Bombay, amounted to 1,060 millions of rupees.

That the resources of India are only now beginning to be developed, and that its commerce and industry, now stimulated into healthy activity, are rapidly expanding in every direction.

That the wise regulation of our currency, therefore, demands the immediate and serious attention of Government

That when our silver standard and currency were introduced, the production of silver amounted to double that of gold, and was, therefore, reasonably selected for this country.

That whilst the demand of India has enormously increased, the production of silver has remained unaltered, and has become insufficient.

That the annual produce of silver throughout the world does not exceed 10 millions sterling

That during the last six years the average annual importation and absorption of silver by India alone has amounted to 11½ millions sterling, and that last year the amount imported was no less than 14½ millions

That India alone, therefore, has consumed, during the last six years, on an average 15 per cent, and last year nearly 50 per cent. more silver than the whole would annually produces

That the annual aggregate demand for alver throughout the world may be fairly estimated at about treble the annual production

That great scarcity and enhancement in the value of silver must movitably ensue from this excessive disproportion between demand and supply

That the inevitable decrease in the amount of our currency, therefore, just at a time when the amount of commodities to be circulated has so enormously increased, and a consequent violent derangement of prices, cannot fail to be most disastrous to India.

That the continued drain of silver for India must derange, if not eventually destroy, the silver currency of all other nations.

That it is the interest of the world, as well as of India, to check the exhaustive drain of silver, by the introduction of gold into our currency

That the special demand of India for silver does not arise from any predilection for that metal, but is compulsory, and due only to our exclusive and inconvenient silver currency

That while the production of silver has remained unaltered, in spito of increased domaind, and is so insufficient, the production of gold has largely increased, and annually amounts to at least 150 per cent. more than that of silver

That this complete revolution in the relative quantities of the precious metals, and the discovery of gold in an adjacent country, naturally suggests the necessity of a corresponding adjustment of our currency, and the introduction of gold.

That while there is not enough of silver for India and for other countries, there is abundance of gold for all.

That while silver must be transported from a great distance, and renches us burdened with heavy charges, gold may be cheaply procured from neighbouring countries

That from its enhanced cost in India, we cannot profitably, or with out loss, re-export silver, and its reproductive power is thus lost to this country

That our silver standard and currency, therefore, force India to continue the "sink" of this presions metal, adding the reluctant absorption of commerce to the characteristic absorption of the ryot.

That instead of being the last recipients and absorbers of silver, we might become the first importers and the distributors of gold. That India is virtually compelled to purchase silver, the dearer and scarcer of the precious metals, and prevented taking gold, which is cheaper and more abundant

That obtaining money cheaper, we should obtain all other commodities cheaper also.

That the heavy charges with which silver is burdened are a serious and unnecessary loss to India.

That our exclusive silver standard and currency renders direct trade with Australia and other gold-producing districts impossible, and forces a country, with abundance of the more precious metal, to traverse half the globe in search of silver, before she can pay for our commodities.

That this prohibitive currency, which excludes us from commercial intercourse with neighbouring countries, must severely injure the interests of India.

That a silver currency is bulky and inconvenient, and entails much expense upon India.

That the cost of transport is a serious item in State charges and in private accounts, the weight of £1,000 sterling in rupees being no less than 312 lb 6 oz. troy.

That the mere loss of time in counting, weighing, and examining it, is vexatious and embarrassing.

That the cumbrous nature of our silver currency not only causes much heavy and unnecessary expense, but from the impossibility of its rapid transmission from point to point, renders it necessary for Government to retain large and unprofitable balances in various treasuries.

That the accumulation of Government and private funds, which the difficulty of transport necessitates, not only causes much loss of interest, but restricts all business operations.

That the introduction of a gold currency into India would promote an equable distribution of the precious metals, and iestore their relative equilibrium.

That the superior convenience of gold, and its adaptation to native wants, would secure an immediate and intelligent welcome for a gold currency in India.

That the importation of gold has for many years steadily increased, though it is not a legal tender, the amount imported last year being nearly 7 millions sterling, and that, from the 1st May to the 31st

December, since the returns quoted, no less than 34 millions sterling of gold are imported into Bombay alone.

That there is an increasing tendency to the creation of a gold ingot currency, by the natives of this country, as a rude remedy for the defects of the existing silver one

That gold bars stamped with the mark of Bombay Banks, are for this purpose circulated in several parts of the country

That the exclusion of gold from our currency cannot be justified, and cannot be considered other than barbarous, irrational, and unnatural

That it is only just and reasonable that India should be allowed the benefits which she would secure from the introduction of a gold currency

That recent financial derangements warn as of the necessity of immediate reform

That the longer this reform is delayed, the more difficult will it become

That your Memorialists, therefore, carneally entrent your Excel lency in Council to take this important question at once into serious consideration, and to effect an amendment which is so loudly called for, by introducing a well regulated gold currency into India.

By order of the Bombay Chamber of Commerce

WALTER R CASSELS MICHAEL H SCOTT ALEX, BROWN

Minute by His Excellency the Governor of Bombay —dated 23rd February 1864

I would forward this Memorial to the Government of India without delay, with a request that the subject may receive the early attention of the Governor General in Council, as it is one of the greatest importance at the present moment to the commercial interests of this part of India

2 I would add a copy of the very able Memorial of the Bombay Association, which may be taken as an expression of the views generally concurred in by the leaders of the native mercantile community

- 3 These papers state so clearly the arguments in favor of the adoption of a gold enrency for India, that I will confine myself to briefly expressing my own views as to the course to be taken by Government, assuming it for granted that, if the present demand for silver continues, the adoption of a gold enrency will very speedily become a matter of necessity rather than of choice, and that our present duty, therefore, is simply to prepare the way for a change, which, supposing the present state of things to continue, may at no distant period be forced upon us.
- 4. I would, in the first place, act on the proviso in the last Clause of Section 9 of Act XIX of 1861.
- 5 The effect of this would doubtless be to substitute a considerable proportion of gold for the silver which is now imported into India, and, in proportion of such substitution, to relieve the inconvenience now felt by the absolute scarcity of silver in Europe
- 6 It would also tend to expand the use of Government currency notes, and to set free a corresponding quantity of silver which is now absorbed in various ways in remote parts of the country, and which disappears from the circulation of our great commercial maits
- T may remark, in passing, that this absorption of silver of which we hear so much, is not, in my opinion, entirely owing to hoaiding of the use of silver in ornaments, great quantities, I believe, go to furnish a currency where no general medium of exchange before existed. There can be no doubt rupees are now found in hundreds of small bazaars where all trade used to be conducted by barter, and if any one who is acquainted with the almost universal prevalence of barter a few years ago in all but the larger bazaars of country districts will reflect on the amount of silver which must be absorbed before all the petty bazaars of the country are furnished with silver coin as a medium of exchange, he will at once perceive that it must occasion an absorption of silver quite as important as the practice of hoarding, or of converting silver into ornaments.
- 8 It has been objected to the proviso in Section 9 of the Paper Currency Aet, that Government might be embarrassed if they got too large a quantity of gold as compared with silver in their treasury in exchange for notes, but I am convinced that there is no ground whatever for apprehension on this score, because, in the event of any panic which might cause a run on the Bank, nine natives out of ten would prefer to exchange their notes for gold rather than for silver, owing to its superior portability.

- When we have had time to see the effect of nesuing notes against gold, we shall be in a better position to consider what further steps may be called for. Probably the next step would be to allow the Government revenue above 10 rupees to be paid in sovereigns. It is clear that there must be a much larger amount of gold than at present in common commercial use before the question of the necessity for a change in standard can become one of immediate practical importance.
- 10 It will probably be necessary that we should first pass through the inconvenient and anomalous stage of a double or alternative standard, but I cannot see that at the present stage Government can be reasonably expected to do more than I have above proposed.

H B E FRERE

Minute by His Excollency the Commander in-Ohief,—dated 25th Redruary 1884

I will not now detain these papers. I have been for some time engaged in the investigation of the question which has now been formally proposed by the Bombay Chamber of Commerce for the counderation of His Excellency the Viceroy and Governor General in Coancil. I purpose, in consequence to submit my views in detail to the Board at an early date. In the mean time I would ask to signify my concurrence in the prayer of the Memorial.

W R MANSFIELD

Minute by the Hon'she W E. Frene,-dated 20th February 1861

As this is not a question for our decision, I will not detain these papers further than to add my concurrence in the opinion given by Ris Excellency the President, and conviction that, as the first step in the monetary revolution we are now entering upon, or being driven into, action on the 0th Section of Act XIX of 1801 is imperatively called for

W E FRERE.

Minute by the Hon'ble J. D Inverarity,—dated 29th February 1864.

I think that the measure proposed by His Excellency the President, and concurred in by my honorable colleague, will be found to be totally inadequate to accomplish the end sought for by the Memorialists, viz., the introduction into India of a well-regulated gold currency.

2. It is an admitted fact that as yet the supply of the precious metals in India is altogether insufficient to meet the demands for currency purposes, and the introduction of a paper currency, unfamiliar to the masses, and unsuited to then habits and condition, has not been followed by any very great measure of success Silver and gold continue to flow into this country in vast quantities. The appended Statements prepared in the Secretariat show that for the past nine years, 1854-55 to 1862-63, the imports of silver into Bombay in excess of exports stand at Rs 33,89,69,774, a sum not far short of thirty-four millions steiling, and that for the same period the imports of gold in excess of exports stand at Rs 16,51,91,293, or somewhat more than sixteen and a half millions steiling These imports have largely increased year by year, and still the demand will be for more During the current year it is expected the imports of silver over exports will not be far short of twelve millions steiling "It is not," as expressed by a writer in the Westminster Review for last month, "any fall in the value of silver which has brought about the diam of this metal to the East, but simply the nature of the Indian and Chinese demand for our manufactures, which is very small compared with ours for their productions, but which is immense for silver, which represents to them everything desirable in their conceptions of luxury, comfort, and security. * of our troubles in India, and a state of chronic warfare in China, the increase of our trade with the East during the last ten years has been This, too, may be looked upon as only the beginning of a commerce that must grow to proportions which cannot be estimated The most important feature, too, of Eastern trade is the manner in which it absorbs the precious metals. This is a peculiarity so intimately bound up with the social condition of the East, that it is likely to last as long as their ignorance and mutual mistiust. Until a system of credit can grow up among them like that which in Europe dispenses with the use of gold and silver for almost all things but retail transactions and the payment of labor, the East must ever remain a perfect

sink for the precious metals. What amount of money would be sufficient to enturate the hearding propersities of these hundreds of millious of men? * * * There is no practical limit to the demand of the East for the precious metals except the industry that they can develope in its acquisition, and that industry is susceptible of indefinite development."

- Dr Nassau Lees, in his book "The Dram of Silver to the East, lately published, supports the same view at pages 48 to 46 considers that the demand of the process metals for currency purposes in India will not only continue for a very long time, but will yet be enormous He shows that India as still capable of absorbing four or five hundred millions of pounds sterling of silver in addition to what she already possesses. The question then arises, can this enormous quantity of silver be provided for India? and as there can be but one answer, the alternative seems to be that prayed for by the Memorialists, viz., the adoption of a gold standard, and the introduction of a rold currency with subsidiary silver tokens, as set forth by Mr Walter Cassels in his letter of the 1st ultimo, to the address of His Excellency the Governor The action of the people themselves by largely im porting gold, and by making it current in stamped bars has already opened the way for Government to supply a long felt want, the continued existence of which may lead to future embarrassment. The hurbear of the possible fall of value in gold is thus well disposed of hy the writer in the Review I have already quoted "All the efforts which have been made to estimate the fall of value in gold by calculating the effect of the named additions to the existing stock of the metal err by ignoring the immense effect of the additions themselves upon the productive industry of the world and by overlooking the direct tendency of such a stimulus to re-establish the old ratio between the circulating medium and commodities, upon which ratio prices ultimately depend "
 - 4 The prayer of the Memorial has my cordial support, and Mr Walter Cassels' letter of 1st January 1864 on the same subject to IIIs Excellency the Governor has my full concurrence, and might be submitted to the Government of India with the Memorial.

J D INVERSITY

Siam	Pogu.	Amhorst	Madagas cai	Indian or Homo Ports British	Indian or Homo Ports not British.	Total	Imports in excess of Exports.	I _{mports} less than Exports
						70 or too		
				82,875	500	50,05,788	48,11,916	
				78,735	1,86,882	6,93,822	()	
				8,400	4,770	1,25,02,554	1,12,96,285	
	•			4,87,664	6,98,565	12,06,269	} 1,12,00,200	
	1		i I	7,100	4,675	1,02,13,938) 07.00 700	
]	8,90,498	8,46,440	14,15,233	87,98,708	
		}		1,57,423	82,900	1,53,35,797)	
		5 12,	5 12,101	12,50,180	17,65,171	1,85,70,626		
				61,522	2,200	1,97,32,307)	
				4,50,265	12,73,885	17,37,500	1,79,94,807	}
			14,000	5,518	14,550	2,86,07,418)	
		1	11,04,702	16,59,557	28,02,284	2,58,05,184		
		1	ļ	19,825	24,100	2,50,82,294)	
			15,11,419	9,75,118	25,45,152	2,24,87,142		
	1			24,100	14,750	2,85,39,425)	
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•				12,224	7,000	4,02,25,794		
				13 81.955	_ 25 89_960	41 20 165	3,61,05,629	

MINUTE BY THE



From WAITER R. CASSIES, Esq., to His Excellency the Governor of Bombay, &c., &c., Sc., —dated 1st January 1864.

The monetary condition of our Indian Empire is so unsound, and the necessity of a thorough reform of its enriency so argent, that I ventime to address your Excellency on the subject, in the hope that, recognizing the madequateness of the existing system for the wants of the community, your Excellency may be induced to exert your great influence to seeme the introduction of a gold enriency and standard into India.

The rapid increase of the trade India, and especially of Bombay, has rapidly of Bombay increased Favorable enumerations have occurred to develope the resources of the country, and wealth has been largely distributed amongst all classes, from the ryot to the increased In ten years the trade of Bombay, as the following statistics show, has increased nearly 250 per cent. —

Year-		Imports	Exports	Total
1853-54 . 1854-55 1856-57 . 1856-57 . 1857-58 1858-59 1859-60		Rs 8,43,83,626 7,82,52,261 11,57,73,041 14,45,46,391 16,31,60,026 18,38,15,410 19,87,49,906 18,62,63,013	Rs. 9,50,71,893 8,16,98,816 10,29,19,161 12,57,93,939 14,67,73,599 15,95,08,825 15,51,54,526 19,48,80,399	Rs. 17,94,55,519 15,99,51,077 21,86,92,202 27,06,40,330 30,99,33,625 34,33,24,235 35,39,04,432 38,11,43,412
1861-62 1862-63	••	21,85,65,797 29,01,87,097	21,29,99,605 30,13,92,044	43,15,65,402 59,15,79,141

These amounts, however, being but Custom House valuations, do not adequately represent the extent of our commerce during the last three years, and taking into consideration the high prices realized for cotton in England, and paid for Piece Goods here, they might fairly be increased by fifteen or twenty per cent. The aggregate commerce of Calcutta last year amounted to Rs. 34,06,04,861, and that of Madras to Rs. 13,04,66,579, making a total for the three Presidencies of Rs. 106,26,50,579.

It is clear that the amount of money required to circulate commodine conditions a wise regulation of the currency many hands, as well as to suffice for the wants of a population of 200 millions must be very great. There can therefore, scarcely be a subject of greater importance for the consideration of Government than the wise regulation of the currency, upon which the well being of so vast an Empire so vitally depends, and it is one which at present demands their immediate attention

The late Right Honorable James Wilson in his speech on a paper currency, expressed in distinct terms his sense Our currency is in a most un of the mefficiency of the existing Indian satisfactory state, and needs to he reformed. currency "I believe," he said, " there is hat one opinion throughout India, and, I will add, at home, that the cur rency of this dependency of the British Empire is in a most unsatisfactory state there may be, and no doubt there are, many different opinions as to the mode in which its glaring defects can be best amended, but at least all are agreed that amendment is loudly called for If, 'he con inned, "your monetary condition be unsound the country will be exposed. in an aggravated form, to all those vicessitudes which overtake trade, for a time paralyze industry, and impoverish the people if on the other hand, it be based on sound and solid principles we may rest contented that we have at least taken every precaution within our power if not for altogether preventing those vicisatudes, yet for alloyating their consequences and shortening their duration"

I quote these statements, not only as possessing all the weight of printions expressed by so able a financier, but also as being particularly appropriate at a time when trade is really suffering from the very species of violestude which Mr. Wilson naticipated and which is both intensified and prolonged by the imperfect currency which he described

The only object of a paper cure many is to est free reproductive support to est free reproductive support to set free reproductive capital of the currency for the purpose of setting free n large portion of the reproductive capital of the country thus absorbed and rendered sterile. The Currency Bill was no doubt a very important and desirable measure, whose usefulness, probably, will increase as the country becomes ripe for

it was framed have not to any considerable extent been attained, and for the present it has not been successful in reforming the defects of the Indian currency.

A paper currency, based upon sound principles, is certainly one of the General intelligence and confidence required for its reception. Dut for its general adoption throughout a country, it is requisite that intelligence and confidence should be largely diffused. The acceptance of a piece of paper, without intimise worth, and deriving its sole value from the mere promise to pay a certain sum, denotes the existence of a healthy public credit, and rehance upon administrative principles, which can only be found in an advanced state of civilization, and after a long period of commercial good faith

I believe that few persons acquainted with the state of India will assert that the mass of its population are yet That India is not yet prepared prepared to understand or avail themselves of such a currency. Centuries of misrule and oppression under Native rule have implanted suspicion and distrust in the Native character, and European envilvation has as yet searcely lifted a corner of the veil of ignorance that enshrouds and perpetuates these hereditary qualities. Without going into statistics at all, therefore, it might be predicated that a paper currency, unintelligible both in form and in principle to the great mass of the people, could not circulate much beyond a few of the greater towns into which European enterprize and enlightenment have pene-That this has really been the case trated is proved by the reports of the Currency Department is evident from the following Statement of the Currency Departments in the three Presidencies —

		Value of		
Presidencies	Bullion	Com	Government Securities	Notes in Circulation
	Rs	Rs	${ m Rs.}$	
Calcutta* Madras* Bombay†	1,17,00,000	1,84,55,922 73,00,000 1,19,00,000	1,10,44,078 	2,95,00,000 73,00,000 2,36,00,000
Total	1,17,00,000	3,76,55,922	1,10,44,078	6,04,00,000

^{* 31}st October 1863

^{+ 4}th January 1864.

Speaking in 1860, Mr Wilson stated that the coinage in the three

Nr Wilson's estimate of the
Indian Mints since 1835 amounted to upschal currency wards of one hundred crores of rupees, or 100

millions sterling, and that during the last four years of the period, the production had actually been at the rate of 12 millions sterling in each year

Professing, however, to allow for the great withdrawal of coin, both for the purpose of hearding and conversion into jewellery, he estimated the total amount in actual circulation at one hundred crores of rupees or 100 millions sterling. I cannot understand by what process he arrived at this high estimate, but I behave that if he had reduced it by one half he would have been much nearer the mark. He, in fact, assumed that the coin issued prior to 1835 counterbalanced the whole of the

Our paper currency has only freed a trifling proportion of reproductive capital, previous and subsequent absorption. It would not be difficult, I think to show the incorrectness of his estimate, but accepting it for the r. Wilson apparently desired, as the basis of

present and taking it, as Mr Wilson apparently desired as the basis of our calculation, we find that currency notes after three years, have really only been taken to the extent of about 6 per cent of the whole currency, and that they have actually only fulfilled their sole legitimate object of releasing the reproductive capital of the country to the extent of a million sterling, or 1 per cent.

As an illustration of my assertion that India is yet far from propared for such a circulating medium, I may The currency notes are dis mention a case which occurred in Bombay within my own knowledge A Parsee gentleman tendered a currency note for one hundred rupees to a native corpenter for work done which he somewhat reluctantly accepted. This was about the time when the present monetary pressure first became intense, and the value of Government Securities bad declined and Banks were no longer able or willing to lend money against them. Two days after, the Native returned, wringing his hands, and saying that he had been nnahle to change the note in the baznar and that he understood that Gov ernment notes were no longer worth anything. In order to test tho state of popular credulity, the gentleman offered Rs. 45 for the Rs 100 note, which the native thankfully accepted and he was going away in a more easy state of mind when hi was recalled and the full amount of rupees handed to him I fear that, amongst the poorer classes in the interior, a currency note would be regarded with still greater distrust

The Currency Set of Iselland prove that the Currency Act of IS61 has not effected the requirement of most produced any very material result, and that the "amendment" which Mr. Wilson admitted to be "so loudly called for" has yet to be effected, and is now more argently required than ever.

Whatever may be the monetary state of any country, moments of xiens stude must of course occur, and passing storms must disturb, in order to clear, the countries. Where the cur-

remy, however, is sufficient, and by ad upon sound principles, these periods of commercial distre e, although they cannot be altogether prevented, are seldom of long duration, and can opendily be relieved. The trade of Bombin at present is passing through one of those periods of severe monetary pressure which a defective currency mainly contributes to prolong. The crisis, I think, may be accounted for from the fact that our unprecedentedly active and profitable trule, and the numerous hands through which commodities have to pass in this country, have absorbed a great part of our metallic currency. The stream of capital has, to an unusual extent, flowed into the interior for cotton and other produce; much has been distributed amongst the ryots, by whom it has been absorbed, and much has been embarked in speculative investments This has proceeded with a rapidity commensurate with the activity of commerce, and, rather suddenly the country has found itself without sufficient coin for the efficient circulation of commodities. Under these circumstances, one of three things generally happens-either the deficiency is made up by artificial contrivances-and here our paper currency has not helped us, or money must be made to do double work, and pass from hand to hand with a rapidity sufficient to compensate for its reduced quantity, or the market must adjust itself to the smaller eurrency, by a general fall in prices. In our case peculiar encumstances have modified all of these effects. The price of all securities has more or less declined, and other commodities have likewise been partially affected, but holders, generally, are too strong and wealthy to succumb under a pressure which they feel to be only temporary, so that, instead of parting with their goods or produce for a smaller quantity of the circulating medium, they prefer retaining them. Prices, therefore, have not adjusted themselves to the reduced currency, but business has been almost altogether suspended. The demand for money continues great,

profitable employment for it still abounding, and the Bank's rate of interest has been raised to 24 per cent while those who have required to draw their capital from England have been content to engage to pay 2s 3d there, six months hence for each rupee advanced in India. This crisis might and no doubt would have occurred whether our standard had been gold or silver, bat it

is prolonged by our insufficient all er standard and currency

appears to me that with a gold standard its severity would have been mitigated, and its

duration materially abridged. Our relief can only be effected by importations of silver for I do not believe that we can reasonably hope for a sufficient present return of coin from the interior. Now silver is becoming scarce in Europe, its transport is comparatively difficult, and even when received in Bombay the working powers of the Mint are greatly below the requirements of the country. At the present moment, with the demand for money so intense that interest is 24 per cent., and exchange on England 2s 2d, about 80 lakks of rupees in bullion, belonging to merchants lie in the Mint naconned and unassayed. With gold for our circulating mediam this state of uffairs could scarcely long continue, and an ample supply to meet so profitable a demand, would certainly have flowed into our market, but under existing circumstances I cannot see any immediate prospect of effectual relief

Both the public and the Government are subjected to loss by our and both Government and the public are subjected by it to loss.

"any one form a just estimate,' demanded Mr Wilson, "of the whole cost to which the public are put in transmitting this bulky coin from place to place? Can any one even judge of the expense which the Government alone has incurred on this account?"

He also alludes, as to a familiar and patent fact, to the inconvenience of the present money to every one in private life. Indeed this can scarcely be rendered more apparent than by the circumstance that scarcely any European or Native gentleman over carries a single rupee about his person. Mr. Wilson, however mentioned one circumstance which very forcibly illustrates the inadequacy and inconvenience of such. Native dealers adopt circumstance for the large trading towns in the North

West, I found a remarkable example of this inconvenience I found that recourse had been had for a circulating mediam in order to save

"the labor and time of counting large sums in rupees, to the use of mysterious sealed bags, said to contain a thousand rupees each. "These bags circulate freely, in wholesale transactions, upon the faith the merchants have in each other, with a 'chit' or letter of endorsement, without always any piecise knowledge of what the real contents are Sir, when recourse is had to expedients of this kind, we have "ample proof that some reform in our existing system is loudly called for"

But this inconvenient coinage which native dealers struggle in a This inconvenient silver coinage measure to correct for themselves, is actually is maintained at great expense. The estimated number of rupees in circulation according to Mr. Wilson is no less than one thousand millions, and the aggregate trade of the three presidential towns represents a sum of upwards of one thousand and sixty-two millions, to maintain which in circulation the three Mints annually coin upwards of one hundred and twenty millions of rupees. A large part of the expense thus incurred, in producing an unwieldy and costly coin of small intrinsic value, might be saved by adopting a gold standard

India has for ages enjoyed the unenviable reputation of being the The amount of silver absorbed "sink" of the precious metals, but, since the adoption of a silver standard for her eurrency, the process of absorption has principally acted upon that metal, gold not being a legal tender, and consequently being less freely imported. From the 30th April 1834 to the same date in 1857, about £60,000,000 sterling, chiefly in silver, were imported into India, of which no less than 90 per cent. were actually coined into rupees, at a considerable expense to the Government, a large part of which, doubtless, was subsequently converted into bangles, at an equivalent loss to the country. The amount of silver bullion and coin imported into each of the three Presidencies during the last six years is as follows—

Years	Calcutta	Madras	Bombay	Total
1857-58 1858-59 1859-60 1860-61 1861-62 1862-63	Rs 7,14,90,940 3,23,48,032 6,76,24,417 2,60,97,635 2,70,45,899 2,19,15,689	Rs 1,39,86,923 1,10,58,271 1,22,78,944 1,38,02,362 1,28,44,799 1,30,00,000*	Rs 5,96,49,976 4,45,15,517 4,67,86,769 3,88,59,849 6,64,71,563 9,95,92,005	Rs 14,51,27,839 8,79,21,820 12,66,90,130 7,87,59,846 10,63,62,261 14,45,92,000

and since the period included in the above calculation, say from the 1st May to the 31st December, about Rs 6,25,00,000 have been imported into Bombay alone. If the American war proceed—and certainly there is not at present any indication whatever of its close—we shall continue to draw from Europe even larger quantatics of silver than at present, and from the wide distribution of profits throughout the interior, amongst that class especially which has always been the most insatiable absorber of the metal, very little of this will be permanently added to the circulating medium of the country, but it will in large part be engulfed in secret hoards, or melted down into bangles and other native is wellery.

Now the silver mines of the world produce, in the aggregate, annually, only about ten millions ster exceeds the annual production of the world. ling, so that India is now taking, and to a large extent absorbing, more silver annually than the whole world produces. Without therefore, taking into consideration the future exhaustion of mines the result of such a drain of this motal from Enrope is quite clear and it is already beginning to be felt. Silver must become scarce, the home markets must become unable or un willing to supply it, Banks must raise their rate of discount in order to check exportation, the value of silver must considerably advance. and the rate of exchange become permanently unfavorable to re mitters from Europe The rise in the value of this metal has already nearly swept away the whole of French silver currency to the East. Fronch com contains more elect than our subsidiary English currency. and it has been more advantageous to export it as bullion than to non it as money The only silver com now remaining in France, in fact. is that which by wear and tear has become depreciated. A further advance, by no means improbable if the present demand be considered. would affect English silver com precisely in the same way, and we may yet have to melt down the silver currency of England to replenish that of Indu

Scarcity and a steady and permanent advance in the price of silver,

Reservity will distant our monetary standard.

both of which contingencies appear mesi
table, will decrease the amount of our cir
culation, the natural consequence of which would be that the reduced
currency would have to circulate the same amount of commodities
as before, and prices, therefore, would be reduced in the same ratio

The great desider itim, however, of any monetary stinding is that it should be as little variable as possible, and a general fall in the price of commodities is fir more propoducial to a community than a general advance. Every sudden fluctuation in value, in fact, affects the conditions of every monetary arrangement. If, for instance, prices rise fifty percent, every man with a fixed meome finds that it is only half as valuable as it was, and, on the other hand, if prices fall fifty percent, every man bound to pay any fixed sum is obliged really to provide double the amount

The reconsider of silver as sequence of the discovery of the mines of chestionable as the fall in gold. An traina and Culifornia, has been made an argument against the adoption of a gold standard. This is of course based upon the principle that that standard of value is best which is least variable. I shall consider this point hereafter more fully, but I may here remark that the actual and probable enhancement of the price of silver is, on the very same ground, quite as strong an argument against a silver standard as my fluctuation of the standard, and consequently of prices, whether up or down, is equally objectionable.

The demand of India for silver, however, which causes this enhancement, and absorbs ununally so large Our special demand for silver is compulsory a quantity of what is now the dearer and searcer metal, does not arise from any special predilection for that metal, but from the fact that we have a silver standard, and an extremely inconvenient and bulky silver currency. The demand thus, in a manner, artificially ereated, has mere red and will merease with the development of India to a piteli that will diain Europe of silver, derange the entrency of all countries possessing a silver standard, and probably affect, if not destroy, the subsidiary comage of England herself. a demand arising from no special expediency, but, on the contiary, is extiemely injurious and inconvenient to India, and it will likewise eause meonvemence to almost every other country. If the standard were changed, quite enough of silver would still be imported into this country, for manufacturing purposes, to prevent any material fall in its value, but we should not uselessly, and by a partially compulsory demand, absorb it in such large quantities, and extravagantly raise its value

Consideration, therefore, for the general convenience of the world,

The abundance of gold an argument for its adoption as the standard in India.

as well as of India, I submit, favors the proposal to change our standard from silver to gold. As the metal which contains most

value m small bulk, gold has special claims and as it has been found that the cost of ohtaming gold, and, consequently, the cost of gold, varies less than that of silver, it is on that ground likewise preferable as a standard There are other reasons, however, for which I would venture to urge the adoption of a gold standard Prior to the discovery of the mines of California and Anetralia the annual production of gold amounted only to about five or aix millions sterling. During the ten years since the opening of these new sources of supply, however, it is estimated that 150 millions sterling in excess of any former decade have been added to the stock of the world, and the annual production now amounts to about twenty five millions sterling A considerable portion of this increased production is neutralized by expanded commerce and industry but Political Economists are pretty well agreed that the excess has depreciated the value of gold. The double argument therefore of scarcity of silver and abandance of gold, advance in the value of the one and depreciation in that of the other, is, I submit, altogether in favor of the adoption of a gold standard for India The tendency of the East to absorb the precious metals would be a mitigated ovil if diverted from dear silver to cheap gold, and in fact, our demand would probably re-indust and stead, the disturbed balance of the precious metals. The present large production of cold would not be more than sufficient for the wants of the world. if Indian domand drew from it as it now does of silver, so large a portion ns twelve millions sterling Indeed the great gold discoveries of late years could not have been more opportune being made just ut u time when the rapid development of India's commerce has outstripped its circulating medium. If the annual production of gold were now as it was so short a time ago, only about five millions, the adoption of a gold standard and currency for India might have been nawise and olice tionable, but now that the production has been so largely und suddenly increased, and is still increasing the introduction of the gold standard could not but be generally advantageous, steadying the price of gold on the one hand and of silver on the other

Our silver currency however entails positive loss upon India. We
We use fired now to buy the
desirer metal.

Our silver currency however entails positive loss upon India. We
are in a manuar constrained to exchange our
commodities for silver, the only metal which

is a legal tender in this country. Now, silver being dearer than gold, we are thus forced to buy the dearer and searcer metal, and prevented from taking that which is relatively cheaper

With a gold standard and currency, England might advantageously for heiself, as well as for us, pay us for our and prevented buying gold, which products in gold from Australia, unburdened, is cherner as at present, with the charges of transmission to Europe, of exchange into silver, and of transport overland In fact, we are, by the necessity of this encuitous mode of circulation, virtually prohibited from commercial intercourse with markets at our very door. We are prevented from importing gold direct from Australia materially cheaper than we can obtain silver Calculating the actual charges upon gold from Australia to England, and expenses there, at five per cent, and the charges thence overland to Bombay, and till it can be converted into coin, at five per cent inoie, it is at once evident that we could import gold much more advantageously direct from Australia The charges from Australia to Bombay being estimated at three to five per cent, we should thus seeme the metal five to seven per eent below what we now pay for importations from England, and still more below the cost of silver purchased with gold, sent round by London,

It is an obvious fact that if we obtain money cheaper, we should obtain all other imports cheaper also, and it is not absolutely necessary, in order to obtain gold bullion at a cheaper rate, that we should

from Austraha

have a direct demand for our commodities from Australia. There is quite sufficient demand for them in England alone, which exports largely to Australia, to obtain all the gold we want in exchange, actually, though circuitously, from the mining country. The demand for gold which would arise from its adoption as a standard in India would be the greatest stimulant to the creation of a direct trade with Australia. The resources of India are only now beginning to expand, and so much wealth is now distributed throughout the country, that, even after the cessation of the present extraordinary demand for cotton, our trade will continue to increase, and flow through numerous channels. The manufacturing industry of India will certainly be largely developed. With the freight and heavy charges on cotton to Great Britain, and equally

heavy charges upon goods outward again, as a margin at credit, India may well be able to produce the lower qualities of cleth, and the lower numbers of varn, so as to undersell England. Is it too much to say that India may, in the course of some years, be able to export such goods to Australia, amongst other commodities, in exchange for her gold? Every enlightened statesman, overlooking the paltry and unmeaning objection of supposed injury to the manufacturing interests of Great Britain, would rejoice to see that day, and would certainly desire to open out in this, or any similar way, the resources of our Indian Empire So long as we have a silver standard, however, we labor under so great a disadvantage in trading with neighbouring countries, that it is nearly

and will repress the industry of India

prohibitive Mr Luing expressed a decided epinion on this point in introducing the Currency Act of 1861 He said that ' it seemed

" to him a pity to enact that, for all time to come, in transactions between "countries such as Australia and India, an Australian merchant should anot be able to pay for a cargo of Indian rice without resorting to the round about and expensive process of sending his Australian gold to "London, thence to France or Germany to buy silver, and finally send "that silver overland or round the Cape to India "

Mr Laing and the Select Committee provided for the posgold currency

Mr Laung and the Select Committee on the Bill, of which your Excellency was a Member, therefore, "thought that it would be a considerable "advantage to provide for the possible ap-'plication, in India, of the same principle 'as regards gold as as applied in England in

"regard to silver" They consequently granted power to usue "no to "one-fourth part of that portion of the circulation of India which is represented by actual coin or bullion, against gold coin or bullion at " a rate to be fixed by the Government from time to time and not altered "without six months' netice." The Committee hoped that by thus fixing a minimum value, at which gold should be received at the Gov ernment Treasuries, its "superior convenience and "its adaptation to native wants,' might, in course of time, lead to the introduction of a con

but their "Important amend ment" has been made a dead letter

siderable auxiliary gold currency portant amendment has for some inscrntable reason or by mere oversight been allowed

ever since to remain a dead letter, and even this timid experiment

has not yet been tiled. I trust that your Excellency will at least unge that this clause, which you yourself were instrumental in framing for the evident advantage of the country, may at once be brought into operation.

That India has long been prepared to avail itself of this privilege, is evident from the importations of gold which have been received for some years. The following is a Statement of the amount imported during the last six years into Calcutta, Madias, and Bombay —

Years	Calcutta	Madras	Bombay	Total
	Rs.	Rs	Rs.	Rs.
1857-58	1,00,71,277	46,31,989	1,53,35,797	3,00,42,063
1858-59	2,96,29,566	32,37,936	1,97,32,307	5,25,99,809
1859-60	1,10,48,282	51,60,740	2,86,07,418	4,48,16,410
1860-61	1,26,36,424	74,23,585	2,50,32,294	4,50,92,243
1861-62	1,70,42,188	94,41,201	2,85,39,425	5,50,22,714
1862-63	2,26,95,370	1,00,00,000*	4,02,25,794	7,29,21,164

And from the 1st May to the 31st December, since the above returns, the importation of gold into Bombay alone amounts to nearly three and a half millions sterling

We owe it to our silver standard and currency, I maintain, that

The silver standard forces India to be the sink of the precious metals Absorption is to a very great extent forced upon her, and it is by no voluntary short-sightedness as a commercial country that so much of India's capital is made unproductive. It is a patent fact that we purchase

our silver so dearly, and receive it burdened with so many charges, that it is impossible to sell it otherwise than at a loss. We are, as it were, the last receivers of the commodity after it has paid tribute to the rest of the world. We cannot re-export it without actual loss and there is therefore a positive inducement to absorb. If, however, gold were our standard, in lieu of being the last, we might become the first recipients, and might profitably distribute instead of absorbing it. We should be placed on the highway by which gold will travel to Europe, and no longer be the unfortunate 'sink' in which the precious motals, after making the circuit of the globe, are dragged down by their weight of charges

Gold alone can enable a paper currency to fulfil its legitimate Gold in the only efficient basis purpose in this country. It is only by for a paper currency for ladis. Supposing the precious metals from the dation of circulation and enabling a country to make them reproductive by exportation as commodities, that a paper currency can legitimately benefit any nation. Supposing, then, that our paper currency were so far successful as to set any amount of silver free for this purpose, India could not avail herself of the opening, because silver costs too dear for re-exportation. On the other hand, gold received from Australia, and thus rendered available, could be profitably exported either on a cal culation of its actual cost, or its relative out-turn in comparison with other commodities. So long, therefore, as silver is maintained as the standard in India, our paper currency will continue to be delusive and unprofitable, and a wise system of financial administration deprived of all healthy vitality

A gold currency would probably in another way clicck, or at least retard, absorption. Most of the 200 millions of the population of India and more or less, in withdrawing coin from circulation, but a vast number of these can only do this by small instalments. Ringee follows rupee but slowly into the recret heard, although the sum total of petty abstractions from the circulation is an important amount. The intermediate sums, however, between gold coins could only be amassed in subsidiary silver token coins, of limited tender rated somewhat above their intrinsic value and the gold would continue meanwhile in circulation. Such a gold currency would now be peculiarly suitable for India. The distrist and ignorance which reduce a currency note, with

its promise to pay, to the level of waste paper, would appreciate a gold comage, with its absolute intrinsic value in a condensed form, and the desire to possess so convenient a com would probably attract forth again much of the hoarded silver which is now as effectually withdrawn from circulation as though buried in an undiscovered mine

Mr. Wilson, bent wholly upon the introduction of a paper curThe original adoption of a sil. iency, was unwilling to weight it with any
ver standard was an error, plan of a gold standard and coinage for
India, but he frankly said, "if we had to begin de novo, no one will
"doubt that, 'as in England, to adopt a gold standard, supplemented by
"silver tokens of limited tender, as subordinate coins,' would be a much
"preferable plan to that which we now find in use" His main objection
to its present adoption, however, was, that a silver standard having been
established in India, and under it large liabilities contracted, we could
not in good faith now change the standard, and pay public ereditors in
any other, and perhaps relatively cheaper metal.

We have not yet, it appears to me, seen much more than the mere infancy of our Indian Empire, and certainly its resources are still in their first stage of development. We have surely not yet advanced so far, then, that a false step cannot be retraced, and a system sufficient for the early requirements of our commerce replaced by one more suited to its maturity, and to the altered circumstances of the world. It seems to me absurd to argue that the country having once adopted a standard is pledged to maintain it for ever, regardless of subsequent consequences. All changes of financial administration involve more or less of difficulty, but if the question, how a gold standard is to be equitably introduced into India, be in some particulars complicated, it is quite capable of solution, and no more appropriate time than the present could be found for the attempt

The public creditor must not be wronged, but neither should the country be made to suffer the public creditor from any loss which might arise from the payment in gold of a debt contracted in silver, it is equally light that measures should be used to protect the country from the loss

which must arise from the excessive enhancement in the value of that

metal When Government created these debts, Indian trade was not in its present active state, and the demand for silver bad not increased to the enormous extent which it has now reached If this overgrown demand continue, silver cannot fail still further to rise in value, and from the defects of a system no longer adapted to the wants of the country we may, therefore, eventually have to pay off these liabilities at a still greater disadvantage than at present. It is very desirable, therefore, upon this score alone, that protective measures should be adopted If Government invited tenders for loans to be repaid in gold in order to liquidate the debt contracted to be repaid in silver, there can be little doubt that the transfer could be effected upon favorable terms. Even if debts contracted under a silver standard could not be transferred to a gold standard without some slight loss, I submit that it could not be greater than that which the country must generally suffer from the maintenance of the present silver standard, and the consequent advance in the value of that metal. It would be better far, it appears to me, to mour such a less at once than to continue to cramp the commerce of the country by an altogether madequate currency

I venture, however, to nffirm that Mr Wilson's objection is much more technical than real, and that the change of standard does not involve any breach of faith.

Let us admit that the public debt now cristing was contracted under n

silver standard, to be liquidated, according to the strict letter of the contract, in the same standard. No one will assert, however that the contraction of these debts involved my pledge for the indefinite per petuation of the monetary system then existing or deprived us of the right to make future changes in the financial administration of the country. The general weal of this great Empire, and no mer cenary desire to take unfair advantage of the public creditor, now renders a reform of the currency necessary, and if, in order to fulfil the letter of the contract, Government must first pay off its debts in silver they are certainly then at liberty to change the standard to gold Now, what is the atmost which those who receive back their silver lean in silver can do? They must exchange it for commodities, or for gold coin and they will receive simply the present equivalent of their silver debts in the amount of gold which their amount in silver could

purchase, would fulfil the full spirit of the contract, and leave no real ground for complaint If precedent be re-A similar change was effected in England and America quired, it is not wanting. The very same change of standard was made in England, with a public debt greatly exceeding our own, without causing dissatisfaction, or drawing forth any remoustrance from public cieditors; and still more recently, America depreciated her comage, and virtually adopted a single gold standard, under similar circumstances, with the general approval of the country. The transfer of the open rupee loans to an equivalent amount in gold would not, therefore, I submit, entail any hardship, and I believe, as I have before stated, that either the holders of these debentures would be quite willing to accede to the transfer, or that abundance of money could be obtained, upon favorable terms, under a gold standard, to pay off the habilities for which silver would be required.

It could only be by a great subsequent depreciation of gold that any loss to these ereditors could ensue. The transfer of the debt from silver to gold, however, would be made after the effect of the great increase in the production of the metal has been fully experienced, and after gold has in a manner found its level, and the probability is, that the adoption of a gold standard for India would so completely counteract the increased supply, that no further depreciation could take place.

I feel great diffidence in entering into the details of the scheme of a Suggestions regarding the Ingold coinage for India, but your Excelding Mint value of gold. I lency will perhaps pardon me if I venture to make a few suggestions upon this important point. Placed as India in a manner is between gold-producing countries and Europe, the first consideration must be to fix the Indian Mint value of gold, so as to preserve a fair mutual equilibrium of value between ourselves, Australia, and England. This value, therefore, should not be so high as to render it profitable for Australia to send gold to be coined at our Mints, nor should it be so low as to admit of the advantageous export of our gold coin as bullion to Europe

It is likewise highly important that, as much as possible, a gold coinage should for the present be built upon the existing silver currency, so as to introduce the change with as much regard to private interests as

may be. I therefore venture to suggest the issue of gold coins similar to the sovereign and half sovereign, and respectively representing 10 and 5 rapees, with subsidiary silver token coins, of limited tender, rated seven to ten per cent. above their real value. The existing silver coin might, for the present, be allowed to continue legal tender to the extent even of 500 rupees and this limit might hereafter be reduced according to arcumstances. The new gold come should be of an intrinsio value which should place them on a safe basis in relation to the old rupees, and they could, by subsequent alteration of the limit of ten der, be protected, if necessary, from the effect of any unforeseen fluctua tion in value Possessing, as they do, a well known intrinsic worth, the old rupees would no doubt for the present be freely received to a much larger extent but not being replenished by fresh issues being retired as rapidly as they came into the Government Treasures and replaced by new token pieces. I have no doubt that in a few years they would disapnear from circulation and that the change of standard and currency would thus be effected, without any sacrifice disproportionate to the benefit secured

I scarcely think it necessary to state any arguments against the alter A double standard is fallecious and objectionable.

A double standard is fallecious to obvinte the difficulty of at once adopting in single gold standard as the objections to that system have too often been advanced, and are too apparent to need repetition. In fact under a double standard, there never would really be in double circulation of gold and silver coins, but simply an adoption of that metal which for the time best suited the interest of debtors. The standard would therefore fluctuate between the two to the great inconvenience of the public, and to their continual loss.

I cannot do better, in conclusion than quote the opinion in favor of the introduction of gold expressed by the Laing pronounced the exclusion of gold from our cur rency to be "barbarous."

The Laing pronounced the exclusion of gold expressed by Mr Laing when hringing forward the Bill for a paper currency devised by Mr Wilson, and perfected by himself and the Select Committee "I must say," he declared "that not the time when we are professing to make a reform in the "currency of India, it does seem to me to be what I can hardly call "otherwise than barbarous to introduce a system based upon the entire "exclusion of that all pervading metal whose superior convenience is fast making it the sole or principal medium of all the most civilized

"nations of the world" "Gold," he recognised, "would be a universal medium of exchange from one end of India to another, whereas a small note circulation involved the necessity of different issues in different circles, and the risk and trouble of keeping an adequate reserve of specie at numerous points" Holding these views, he refrained from bringing forward any positive measure for making gold a legal tender, in great part because it would have given rise to a long correspondence with England, and would have retarded the Currency Act. This objection is no longer valid, and I trust that what he did not scruple to call a "barbarous" system may not be perpetuated from any further considerations of official expediency

No doubt, as Mill has suggested, in the advance of political imImportance of assimilating our provement, all countries will one day have currency to that of England the same currency. At least it is exceedingly desirable that the currency of the Indian Empire should be assimilated to that of England and her colonies, and that countries so closely connected in Government and mutual interest, should no longer be separated so widely by a totally different monetary standard. The adoption of the same standard would be a great advance towards a universal currency, would abolish much inconvenience and complication of accounts, promote commercial intercourse, and knit the Empire more closely together by the bond of a common financial system

I trust, therefore, that your Excellency may be pleased to promote the attainment of a consummation so devoutly to be desired, by bringing this subject, supported by your very weighty approval, before the Government of India and the Secretary of State for India, and that India may hereafter owe to your Excellency's administration the important advantage of an adequate gold currency based on the standard of England

From E. H Lushington, Esq, Secy to Govt of India, Finl Dept, to Offg Chief Secy. to Govt of Bombay,—No. 1516, dated 18th March 1864

I am directed to acknowledge the receipt of your letter No 252, dated 7th March 1864, and to state that the subject of a gold currency for India is under the consideration of Government.

From A. D ROBERTSON, Esq., Offg Chief Secy to Govi. of Bombay, to Secy to Govi of India, Finl. Dept, -No 308, dated 19th March 1864

* Forwarding the Memorial of the Bombay Chamber of Commerce, with copies of the Minutes recorded by the Members of this Government, on the introduction of a gold currency into India.

With reference to para. 3 of my letter of the 7th instant, No 252,* I am directed to transmit herewith a copy of His Excellency Sir William Mansfield s Minute, dated the 8th idem, on the subject

MINUTE

BY

HIS EXCELLENCY LIEUT. GENL. SIR W. MANSFIELD, K.C.B.,
DATED STH MARCH 1864.

TABLE OF CONTENTS

CHAPTER I.	Pa	ıge.
The Memorial of the Chamber of Commerce should be Mr Wilson's opposition to a gold currency in India ing his objections		73
CHAPTER II.		
The economy of gold as a medium of currency as compar	red with silver	75
CHAPTER III		
The standard of value Does a change of the standard breach of faith, either with the public creditor or the		so
CHAPTER IV		
Further exposure of the fallacy contained in the breach of against the substitution of a gold for a silver current	- · · ·	84
CHAPTER V.		
The double standard of value In practice a single Illustration afforded by France and the United State		90
CHAPTER VI		
Effect of the demonstration of gold subsequent to Breach of faith towards those on the debit side	•	
involved	••• ••• {	97
CHAPTER VII.	ŕ	
Justice can alone be done to the community of India by gold legal tender, and the consequent prevention of silver. Effect of the rise in value of silver on the afforded by the incidence of the salt taxes. Loss compulsory importation of silver	a rise in the value of	74 .
	1. 10	

	CHAPTER VIII.	_
	introduction of a gold currency into India is urgently required as a matter of convenience and economy to the people at large. A paper currency inoparative, owing to social causes. The introduction of a gold currency demanded by the same social causes	
	CHAPTER IX.	
	nge of values in Indus. Disturbing causes of value Increased demand for metallic circulation. In the matter of gold and allver popular instinct has corrected an administrative want	
	CHAPTER X.	
Cau	tion necessary in the mode of introducing the gold currency. Transition period of double legal tender. Token comage inadmissible during such	
	period	127
	CHAPTER XI	
Con	clusion. The denomination of the rupes table retained as a matter of course. How sovereigns may be used. The equivalents of gold and silver declared in Act XVII of 1836 may be maintained. Legal tender of gold in addition to that of silver should be created on such a basis	181
	APPENDIX	
Not	±	137
A.	Table of average price of the sovereign in Bombay since 1857	188
в.	Table of average price of bar silver in the Bombay market per 100 toles	ib
C	Average price of bur silver in England	189
D	Average price of gold bars (88 touch) in Bombay	ib
E.	Quotations of Gold Leaf; only fluctuations noted in this list	140
F	Price of gold at Calcutta per tola of 23 Carnts, showing average per ounce of 23 carats. Dr Nassau Lees	143
G	Price of bar silver per ounce standard in London Dr Nassen Lees	143

72 MINUTE BY SIR W MANSFIELD-TABLE OF CONTENTS

MINUTE.

CHAPTER I

CHA

The Memorial of the Chamber of Commerce should be supported —Mr Wilson's opposition to a Gold Currency in India.—Necessity of answering his objections

The Memorial of the Bombay Chamber of Commerce, praying for the introduction of a gold currency into India, is, I trust, the beginning of a reform which is much required by the circumstances of the country.

When we consider all that may be said in favor of the reform, and how little can be asserted against it, a reasonable expectation may be entertained, that the prayer of the Memorial will not pass unheeded by the Supreme Government and the Right Honorable the Secretary of State for India.

It would be difficult to put the facts which tell on the side of the proposed change, more cogently and clearly than has been done in the Memorial under consideration. There is, nevertheless, the weight of a great authority in opposition, which must be removed by argument, before we can hope that success will attend the movement of the reformers.

That authority is the opinion of the lamented Mr. Wilson, who died at Calcutta as Financial Member of Council in 1860. This gentleman, distinguished alike as a financial statesman and a great economical writer, rested his objections to such a reform as is now asked for, on three grounds —

Firstly—That the change to a gold currency would involve breach of faith with the creditors, who had contracted their obligations in the form of silver.

Secondly—That it was opposed to much of European precedent and example.

And thirdly—That seeing that silver was now the legal tender, he could perceive no particular good in change, although he admitted that it would have been an advantage to the country, if gold had been the original legal tender instead of silver.

A careful perusal of Mr. Wilson's Minute of 25th December 1859 "On the proposal to introduce a Gold Currency into India," has convinced me that the grounds of his opinion are in point of fact fallacies, which are incompatible with the development of the people, and with a

AP feeling of equity towards all classes, the poor as well as the rich, the indebted (in which I include the State) as well as the capitalist and the owner of land

That Minnte has convinced me that while Mr Wilson allowed his imagination to be excited by the possible depreciation in the value of gold as the effect of new gold mines might be still more felt he over looked the corresponding circumstance, that if as he expected, gold throughout the world should fall still more in value than it had done when he wrote silver if stationary in the amount produced, would proportionally rise. He thus neglected to consider, that as a means of appreciating value silver was in truth as uncertain as gold this being true both with regard to new contracts hereafter to be made and to those of ancient dato

The perusal of his speeches and Minntes on Indian Corrency has further persunded me that Mr Wilson's views were formed without sufficient attention to the social condition and the habits of the great masses of the people of India.

Ho was thus led into error, both with regard to what it is possible to effect in the execution of currency changes and to the wisdom of reforms to the general entertainment of which the popular mind has not yet been sufficiently educated.

It has appeared to me therefore, to be a duty for some one to examino Mr Wilson's Miunte and his views on the subject of a Gold Currency for India according to the principles of Political Economy of which he has so often been the able and uncompromising exponent.

The necessity of the investigation which in the public interest thus seems to me most urgently required has apparently not occurred to any one else in this country. I proceed therefore, with much diffidence to take the duty on myself

In deference to the great authority to which I find myself opposed and to the importance of the inquiry I have been obliged to take nothing for granted, but to follow Mr Wilson's own example, when in series of admirable articles he criterised the Bank Act of 1844. In short at the risk of a charge of technologies. I have felt it incumbent on me to consider the principles on which rests the idea of a Currency

These being kept steadily in view it has been sought to apply them in answer to Mr Wilson's Minute, and in support of the demand which has now come from the Bombay Chamber of Commerce

CHAPTER II

The economy of Gold as a medium of Currency as compared with Silver —The practical $_{\mathrm{CHAF}}$ consequence

A Currency is the machinery of domestic exchange. So much of the medium as is absorbed in the metallic currency of a country is the material of the machinery.

The precious metals absorbed in a currency are so much of the capital of a country which is devoted by the community to save it from living in a state of barter. The profits of the capital so employed return in the form of convenience, and the saving of labour and time.

The material or metal may be economised by the use of paper in various forms, but it being admitted that paper must always be convertible, it is sufficient to say that the metallic currency is the basis or material of the machinery by which the operations of modern commerce are rendered possible.

It would seem, then, that when a community determines what shall be its metallic medium of currency, it should carefully consider the conditions of economy which it may present, as compared with other media.

Thus, if a given medium, as being of more value, be more portable than another, it is preferable on such an account. Copper is better as a currency medium than iron, silver than copper, gold than silver, on this ground alone, according to the advance made in a community towards wealth, and in the consequent increase in the number of transactions, to which it daily commits itself. So long as a community is very poor, the rude currency of non or copper may suffice for its wants. A silver coinage is the indication that the community has passed out of the ranks of poverty.

When it is discovered that even to carry about the increasing masses of silver has become an intolerable labor, for which daily commerce in self-defence must find a substitute, we may be sure that a community has made an immense stride towards the possession not only of moderate but of great wealth.

It is observed in such circumstances, that a more valuable medium of daily exchange should be substituted for the silver, and gold, unless prevented by legal restrictions, is sure to advance, to substitute itself for the silver, and to perform the duties hitherto discharged by the displaced silver.

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But there are other reasons besides those of mere portability, all of which tend directly to a like result. Thus, whenever a large quantity of the precious metals is broken up into coins, and is constantly going through a course of circulation, a certain wear and tear or waste of the metal so employed takes place in other words, an immediate loss of the National Capital

If a coin of one metal (gold) is equal to ten coins of another metal (silver) assuming that a like degree of purity, hardness and durability is mechanically given to both, it would seem at first sight that the degree of wastage in both would be exactly proportionate and therefore that the results of loss to the national capital on this account would be equal. But this is not so for the following reason the coin of greater value is not so often turned over in the affairs of petty commerce as that which is of loss value and consequently the former escapes much of the west and tear which attends the latter

Again the coining operations of the Mint, involving assay and manufacture, are reduced in amount and therefore cheapen com in an inverse ratio to the value of the comed medium.

Thus if a sovereign be equal to ten rupces in intrinsic value, it is many times cheaper to com gold for general use than it is to com silver. The mechanical economy would be considerable if it afforded merely a sufficient quantity of coins for the daily purposes of domestic exchange.

But the reserves of the precious metal established as legal tender must be in great measure coined to meet drafts in accordance with legal demands. Consequently a larger coinage must inevitably take place than would actually suffice for daily use. This is still more enhanced by the fact of the expertation of coins in the form of a commodity of trade merely on account of their value as such, and without respect to their being a monetary element in the country they are leaving

Such considerations are particularly important in India, where so much of the coined medium is retained in private hands owing to a marked peculiarity of castern bahits. In consequence of this a rast number of millions of rupees is kept in reserve by the people on which the minting labor has been expended.

We have therefore in a gold comage as compared with a silver com are three elements of cheapness, which cannot fail to have a marked effect in asserting the superiority of gold as a circulating medium and one CHAP. of metallic reserve .--

1st—Its superior portability. 2nd—Decrease of wastage 3rd—Economy in mintage

Now, if we accept the definition of a metallic currency, that it is a certain portion of the capital of a community which is abstracted from the whole without immediate return of any kind, for the purpose of enabling the community to pursue its business; in other words, to employ the remainder of its capital in the daily commerce of life, we cannot escape the conclusion that that medium should be chosen to perform the particular functions of currency, in which mechanically it can be done most cheaply. In this we merely follow the same rules of reasoning and practice that we apply when we substitute animal draught for porters, and the steam engine for horses.

It is particularly necessary to bear this in mind, to iccollect that a currency is only the means of transacting business, that it is a machinery in the economy of which all men are interested, and therefore that the medium has to be considered on account of such merits, just as we consider the relative ments of steam and horses. This view may be called the mechanical one It is very liable to lose the attention which it deserves, because of the difficult problems which come across the investigator, and of the manner in which the value of the precious metals as commodities occupies the mind, to the preclusion of the mechanical facts of their employment, and of the cost of those facts Hence a great Even acute thinkers are thus apt to forget the imconfusion arises portant circumstances which have been stated, to overlook the mechanical economy of using one metal (gold), as compared with another metal Nevertheless, other conditions of relative value being preserved, this very mechanical economy would be quite sufficient to drive the lower metal generally out of circulation, were circulation allowed to adjust itself without the intervention of State laws or other restrictions When arguing against the introduction of a gold currency for India; the late Mr Wilson omitted to give these important considerations the weight they deserve On the contrary, while he allowed that a gold currency would be more convenient than a silver one, he did not also add, as he should have done, that as a machine of daily commerce, a gold medium is much cheaper in the working than a silver one can This fact should not have escaped a practical economist of

ip his distinction It is perhaps to be regretted that an authority of his calibre was lent to an incomplete statement on this very important part of the subject.

Having thus established the mechanical superiority of gold over silver as a medium of currency, that is to say, that it is superior as a means of machinery in point of economy to silver, it would seem to follow that the State, in which term is conveyed the inherent governing power of a community is bound to cause the more valuable metal to be substituted in the currency for the cheaper one, as soon as the community has become rich enough to render such a change desirable for the greater convenience of daily commerce

It will hardly be denied that the State should guard itself according to the manner in which a trading firm or corporation would proceed in defence of the interests of its constituents. Such a firm or corporation having a given function to perform, which requires the absorption of a certain portion of capital feels bound to economise the means of action according to the improvements which may take place, and to the progress made by invention and experience. In this sense, to revert to our old illustration it substitutes animal draught for porters and steam engines for horses. It is not held that porters who have to seek another employ ment have any grevance, and we none of us can forget how fruitless were the premiads of the old anti-railway party on the destiny of stage-coachmen

In the same manner, if the State finds an old official machinery which does not suit the times such machinery after more or less discussion, is invariably made to give way to adaptations, possessing greater convenience, as being more suitable to present exigencies than what is cumbrous, or has become obsolete in form.

The same rule and practice are precisely attributable to a currency when considered in its character of machinery. The holders of an old and cumbrous medium can no more plead exemption from the effects of progress and development, than porters who find themselves supplanted by horses, or the stage-coachmen who have given way before the steam engine.

The notual holders of the medium are also a portion of the community which benefits at large, by an economical reform of the currency, or the machinery by which transactions are carried on. The holders are generally interested in the measure of reform just as the stage-coachman

is interested in the general improvement of the country by the introduction of the introduction of the indivays, and in the possibility thereby afforded to him of securing his existence somehow or other, though perhaps not on the coach-box.

In like manner, by having an economical currency given them, the holders of the old medium, though at first sight they might seem to lose by its demonstration, whether with or without the aid of law, actually gain in the end by the greater use they are able to make of it as a commodity of trade.

This ultimate gain to all classes we have seen both in France and in the United States.

The Government, then, being considered as the trustee of the community, is bound to afford to that community the cheapest currency or machinery for conducting all the transactions of domestic exchange and deposit which can be devised by human skill and ingenuity. The obligation is one from which the State cannot escape.

This cheapness being the interest of the whole, must be preferred to individual interest if the two be found to run counter to one another.

There is no reason to believe that any such antagonism exists, it being found that any reform or measure which reacts with favorable results on the whole body of a nation, is beneficially, however indirectly, experienced by all the individuals composing it. It is essential to bear these somewhat trite maxims in mind, on account of the fallacies by aid of which it is sought to be maintained, that to reform the metallic currency of India, by substituting a gold for a silver one, involves breach of faith with those who have contracted obligations in the form afforded by the latter medium, or who happen to be holders of it.

The attempt is made to put out of sight the character and mechanical functions of a currency, the cost of the performance of these functions, the means of economising the cost under the admitted necessity of maintaining a due metallic reserve. The other character of that reserve is then alone considered, viz, its character as a commodity. That character is, of course, disputed by no one, but it is but to state one side of the argument when it alone is brought forward, and the other character (viz, of machinery) maintained at the cost of the community, is hidden from view

In confirmation of what has been advanced, it may, I think, be held to have been shown by the practice of wealthy nations, that gold is a more convenient means of currency machinery than eliver, when transactions are sufficiently numerous and when the metallio means are sufficiently large to render economy of porterage, wastage and coinage, an element of calculation both to the State and to the individuals of whom the currency wants are concerned, England, France, and the United States are sufficient examples

This being so, we must be convinced that as a matter of administration, on the score of economy, we should substitute a gold currency for a silver one for the accommodation of large transactions, or what may be in excess of the wants of very petty dealing, in countries which have reached the level of wealth and commercial activity attributable to such nations. As regards the application of a gold currency to India, we have then to ask, is she entitled to be counted among such nations? Are her transactions of a character are her needs on account of means of reserve and circulation are the expenses of her Mints and of waste of capital sufficient to warrant a change similar to that which has been found in the United States, Franco, and Great Britain?

CHAPTER III

The Standard of Value.—Does a change of the Standard involve what is called a Breach of Faith, either with the Public creditor or the Private one?

Before proceeding to consider the question of a change in what is called the "Standard of Value it may be well to come to an under standing on the exact meaning of the phrase. Confusion is up to arise from the misappreciation of terms and the public sometimes deceives itself, and is frightened accordingly by the misuse of words and phrases

Such a confusion, perhaps exists at present with regard to the phrase to which attention is invited. In some minds the so-called "Standard of Value is mistaken either for value itself or for the regulator of value. It is, in fact a particular metal or commodity in which the law of a given country declares that a currency shall be maintained

That particular metal comes thus to be the expression, or means, of the measure of value. This is n very different thing from being the measure itself, or from the commodity chosen as the standard of value having any intrinsic virtue by which it can regulate value, or obtain CHAP: value in any manner not common to other commodities

We are taught that there is no real value but the cost of labor which is thrown into production, transport, and delivery. However that labor may be paid for, whether by the commodities it produces, by other commodities, or by their representative in the form of money, on the cost of it depends the value of the commodity produced. It makes no difference whether the commodity be gold or silver, corn or oil, stone or timber. In the cost of labor must be included wages in every form, the expenditure of material which has been produced by previous labor, the preparation of the soil, which is also the result of labor, at whatever former period it may have taken place, although now it may be paid for under the denomination of rent.

Thus is it that by the cost of labor value is determined. It is measured by the exchange of one commodity against another, as we say that an ounce of gold is worth a ton of iron, the cost of producing the ounce of gold being the equivalent of the cost of producing the ton of iron, or the labor on account of the ounce of gold being the equivalent to the labor on account of the ton of iron

It is evident that what is called the standard of value cannot affect the operations with respect to value, viz, its creation by the application of human labor to matter, its determination according to the limits of the cost of the labor so applied, its measurement by the exchange of one commodity against another, except in so far as the commodity furnishing the standard appears as an article of trade, and not merely as the means of measurement

We must therefore carefully distinguish between value with the foregoing conditions, and the legal notion conveyed in the term "Standard of Value," as applied to a currency, which declares what particular metal shall afford expression of the measure of value, for the convenience of the community. Otherwise we may be led into the mistake of forgetting that the metal which has been selected for a legal tender, has on that account a two-fold character, as has been already illustrated, viz, that it is the basis of a currency, or the material of an artificial machinery by which the rude operation of barter has been superseded, besides being also an exchangeable commodity of trade

^{*} The cost of production, as here used, includes the rent of land Waste land, on which labor has not been expended returns no rent

In the former character, a metal when made into come measures market value, in other words, affords the formula of price, whereas its own value as a commodity is determined by the cost of its production as compared with other commodities.

If this distinction between the two characters of the metal, chosen by the community for the expression of value be not resolutely kept before us, the one, viz, that of machinery being artificial and created for our own convenience, and the other viz., its own value as a commodity, being natural, we may expect finally to fall into the error of attributing an occult virtue to a condition of currency, which is liable to change with the circumstances which may render it inconvenient.

This seems to be a not inaccurate description of what often takes place in the consideration of currency questions. It is not improbable that the phrase 'Standard of Value has more than once been the cause of the confusion and the errors of reasoning which have ansen, from them.

Objection is thus taken to a change from the legal standard of India (silver) to a gold one, because large liabilities have been contracted by the State under the former and it is maintained that as a matter of good faith, as it is called the public creditor might reasonably demur to being paid under any other

If such reasoning were to be admitted, it can but be on the ground that silver is viewed as a commodity of trade only and that its artificial character of being the material of the currency machinery, chosen either expressly or fortuitously according to a shifting expediency, is forrection.

We must not, however permit ourselves to forget the artificial condition. Having in the progress of civilization committed ourselves to a system of 'Money' in supersession of one of Barter, that is having organized currency in various forms having constructed a machinery by which the system of 'money' may be carried into execution, we cannot permit ourselves to revert to a system of barter, in the one item of silver, which is not tolerated in any other commodity. Otherwise we chould destroy the very ground on which a currency rests, viz., that the so-called standard of value is but the legal means of expressing how value is to be measured, and does not itself affect value.

In effecting a loan, the State berrows value as represented by a certain number of come.

It does not borrow a special commodity of trade, or contract to CHAP, return that same commodity, except in so fin as it is the representative of value.

Thus the money it seeks represents a given value. It actually contracts for that value, and receives the money which represents it in the legal tender of the day. But it is because money is the representative of value, and that the legal tender is merely the form in which the money is clothed, that the State so receives the money in gold or silver, as the case may be.

The State does not, and cannot, bind itself never to change the character of its legal tender, or expression of measure, which it looks on as hable to change like other institutions Its engagement deals with the value of the loan, and not with the special expression of the measure of value, which in equity cannot be a matter of consequence either to the lender or the borrower, if the idea of enriency be fairly maintained, and it he not confused with the notion of the natural character of the commodity, which has been chosen to afford a material of currency or national machinery of exchange. If value be left untouched by the change, if there be no saerifiee of convenience in the mode of repayment, either of principal or interest, if, on the contrary, the convemence of the community be increased by a change in the entrency machinery, as caused by a superior portability and economy, it is indeed idle to maintain that there is even a semblance of breach of faith with the public cieditor. For if we pay the public cieditor the full intrinsic value of interest and principal of his loan, whether in gold or silver, he has surely small ground of complaint. On the contrary, if there is a greater convenience to himself in the fact of receiving, carrying, and guarding a portion of gold as compared with its equivalent in silver, he is clearly a gamer, if the former be substituted for the latter, so far as a currency is concerned

If we paid the public creditor 99 rupees' worth of gold on account of his loan of 100 silver rupees, we should defiaud him, and he would be right to exclaim. But if we pay gold which is actually equal in value to the hundred rupees, there is no ground on which an objection can be raised with regard to an obligation created after a system of barter has given way before a system of money.

The same reasoning applies even more strongly to all obligations of domestic commerce, in which a currency comes into action, and the

P particular legalised money represents value for the convenience of the community. Although some thinkers may have a difficulty in over coming the exact terms of a State Loan, they cannot find any per plexity when they survey the transactions of commerce it being under stood and admitted by all that the given coin or legal tender is simply a device by which the prices of commodities may be adjusted, with respect to their relative market values

The market values are constantly changing, and they require, according to circumstances, more or less of the coin of legal tender in the form of price, but they cannot be affected one way or other by the character of the legal tender, excepting the consideration that an economical improvement in the currency cannot but effect a certain reduction of charge to the community, as we see similar effects from improved machinery in other matters

The very fact of the existence of a money system demonstrates that a merchant does not contract to receive his dues in one particular form but in any form which may be most convenient to the community of which he forms a part, provided only that he does really obtain those dues, in other words, that the value to which he is entitled is not depreciated with respect to the actual present state of things

The argument may therefore be summed up as follows -

The State not being bound for ever to adhere to a given tender it follows that leans made whether on account of the public or of individuals, and that all transactions of domestic commerce, must follow the rule of any change in the mode of measuring monetary obligations which may be demanded ou account of the general convenience provided that that change does not prejudice real value that is that the value of a new legal tender is at the present absolutely equal to that of the old one or in other words that the currency is not deprenated

CHAPTER IV

Further exposure of the fallacy contained in the Breach of Faith argument urged against the substitution of a Gold for a Silver Currency in India.

In considering the question of currency, it is hardly possible to exagginate the importance of the conclusion which has been arrived at in the former Chapter, viz., that the State or individual making a loan

in all cases makes a contract for value, and not one affecting the particular CHAP commodity in which the legal tender happens fortuitously to exist

The view stated in an opposite sense does in fact abolish the idea of a currency, and reduces us again to a state of barter. It ignores the representative character of money, and depends altogether on the character of the metal composing it, as a commodity of trade.

Thus, to take M1. Wilson's illustration. If two men enter into a contract, one to deliver and one to receive a given quantity of wheat at a distant day, however much wheat may have fallen in price in the mean time, the receiver has no right to complain, any more than the deliverer would have, had it in the mean time risen as much in price. But if the person whose duty it was to deliver wheat, finding that it had risen much in price since the contract was made, sought to deliver barley or some other grain, which in the mean time had become relatively cheaper, the injustice of such an attempt would be plain. But it would be equally unjust, after a contract had been made in a silver standard, to change the standard to gold, because it was becoming more plentiful, and in relation to silver likely to become cheaper."

Now, in the foregoing illustration the theory of a currency is entirely put out of sight, and with that omission is coupled another, that the State in fact borrows value and not a particular commodity

The illustration of the wheat is really beside the question altogether, because it refers only to a system of barter, from which we have been removed by a system of moncy.

It is evident that when the contract to pay for the wheat was to be completed by offering an inferior description of grain, this could only take place by substituting the real equivalent in value, or a larger measure of the latter for the former.

In the same manner, if gold were now to be substituted for silver, it would be necessary to find the exact equivalent of the two metals as respects weight and fineness, and, in discharging obligations, to see that no depreciation of value took place to the disadvantage of the creditor, according to the state of things as now actually existing

But keeping in view the idea of a currency, that it is a machinery for circulation, and the statement of transactions and prices, there is no

^{*} Vide Minute on a Gold Currency by Mr. Wilson, dated December 25th, 1859

are good reason why we should be irrevocably bound hereafter, by an accidental form of legal tender which happens to be in existence now Otherwise this would convert the holders of silver, and those who were on the credit side of chligations contracted in a certain form, into future fortunate speculators in a commodity, whereas, when their contracts were made this idea did not enter into the conceptions either of the creditor or the debtor, the expression of the contract in the medium having been assumed solely as the readiest mode of stating the chligation, according to the law or custom of the community, and not for the purpose of driving a trade in the commodity, which happens to have been fixed on as the means of measuring value

If such reasoning as Mr Wilson's were to be admitted, when the question of substituting a cheaper currency for a more expensive one is considered, such as silver for copper and gold for silver the community would be absolutely precluded from effecting any improvement or economy in the working of that particular machinery, organised and maintained by the community at its own charges for the performance of particular functions, which affect alike the State and the individual.

It would be to create a new vested right in consequence of an ac cident, to be reconomy and the progress of development in favor of certain portions of the public to the disadvantage of the public generally in short, it would be to do what has been declared politically and socially wrong and therefore unwise in all the great changes which have been executed in England since the passing of the Reform Bill.

If we guard the public creditor and the private one up to the actual moment of making a change if we guard him from any retrospective operation, we have done our duty towards him. But if we legislate so as to give the public creditor and the private one an advantage prospectively, in a sense which was intended neither by them nor the debtor, we then legislate in favor of the creditors to the inequitable disadvantage of the debtors.

Yet if we are satisfied that silver is likely to become hereafter relatively dearer, that is to say, that u change of value is likely to take place by which an cunce of silver will at some future time possibly be worth more than an cunce of silver now is, we are surely bound to consider that the pubbe, including what is called the State, as well as individuals, is made up of two large classes, the creditors and the debtors. Bearing this in mind, and that all monetary obligations have been CHAP created for value, and not for the commodity accidentally affording the legal tender, we are further bound, according to every principle of equity, to consider the interests of the debtors hereafter to the full as much as those of the creditors. We have no more right to increase the value of the debt of the former hereafter, by declaring that for all time their debts shall be paid in come constantly gaining a higher value than that originally attributed to those coins, than we should have to declare arbitrarily at present, that the dues of creditors shall be discharged in a depreciated currency, with regard to the actual state of things.

It is believed that a Judge in equity would not consider the possible prospective value of advantages which might be speculatively entertained as an after-thought by one or two parties to a contract, provided that no reference had ever been made to such speculative advantages in the draft of the covenant binding the two parties.

The Judge would consider what was the exact intention of the contracting parties at the time the contract was effected, he would insist on the contract being completed according to that intention, with regard to actually existing circumstances and the due interpretation of the latter as affected by the meaning of the covenant, and he would banish from his mind fortuitous conditions not contemplated originally and which as yet have no reality in practice.

If this view be correct, we may adopt it without danger in considering the obligations of the public and the private creditor and debtor, with respect to the breach of faith argument urged against a substitution of gold for silver.

The contract of the creditor being really made for value, must be completed in value as nearly as possible at the present time, but that value is not to be enhanced in the future, because the form in which the monetary obligation was contracted, is likely to become more costly than it is now or when the contract was made.

Yet if it be true that silver is to become more costly than it is at present, owing to the supply being unequal to the increased demand for it in China and India, we should really add to the debts of all debtors, whose debts have been contracted under the denomination of a silver legal tender, were we to declare that this prospective change in the value of silver is to be entirely ignored. Such a resolution would be a

p one-sided and therefore an unjust one in favor of creditors, whether those creditors are represented by the holders of the public debt, or by bankers and other private individuals.

On the assumption, therefore that the relative value is likely to be greatly raised—an assumption, however, which must be received with the utmost cantion—it would seem that so far from there being a breach of faith in introducing a gold currency in the place of a silver one, we are absolutely bound to do so in justice and in good faith to the public at large, unless we would lay ourselves open to the charge of regulating our measures solely in favor of certain classes, viz., creditors, public and private, who lent value under a silver denomination, and of the actual possessors of silver

It is evident that these classes form but a part of the whole vast public of India.

When we reflect on the argument by which the introduction of paper money is justified and enlogised by all writers on political economy from Adam Smith to the authors of the present day of whom no one, has been more elequent and more convincing than Mr Wilson, it is difficult to repress the feelings of surprise caused by the argument of bad fault as address by him

His argument and that of all others in favor of a paper currency, is, that the introduction of convertible Bank Notes on proper terms has the same effect as opening a gold mino in the country to the extent of the relief afforded by the paper currency

Thus assuming that the Bank note currency of the Bank of England is 14 millions in excess of the coin kept in deposit, for the purpose of meeting the liability caused by the convertibility of the notes, so much metal, viz., 14 millions of billion being released the metal becomes proportionably cheaper in other words money is cheaper, or the same amount of coined money will not purchase so many commodities as it would do were there no Bank notes and were 14 millions of bullion, now set free as a commodity to trade with, absorbed in the British circulation.

Consequently the issue of the Bank notes is a direct disadvantage to the public creditor, who having lent value finds that value depreciated by the fact of money having been rendered cheaper ly the artificial

mine dug under his feet. Therefore his 3 per cent. of dividend will CHAP. not purchase for him so many commodities as it would have done had there been no Bank-note issue.

The like consideration affects all private creditors on account of loans as well as all holders of the precious metals.

We have never heard of the British public ereditor being permitted to cry out against breach of faith, because the value of the public debt has been diminished from time to time, by the development and improvement of affairs, and the machinery used in conducting them, including Bank-note circulation

Yet if the argument is worth anything, we must apply it to the introduction of a Bank-note circulation under the law, by which money is rendered cheaper, and the value originally given for public securities is depreciated to the full as much as to any other measure by which a similar result might be produced, such, for instance, as to a substitution in India of a gold for a silver currency, by which the artificially caused extraordinary demand for the latter metal might be checked.

But Mi Wilson could see no evil in cheapening money, or interfering with the value given by the public creditors or retained in deposit by private holders, so long as his own nostrum of paper was only concerned. He desired, and it is believed rightly, to introduce paper throughout the length and breadth of India for the purpose of realising vast masses of hidden metal, and thereby cheapening money. Not a word in this about the public creditors or the duty of obligations. But there cannot be a doubt, that if he had been permitted to carry out his plans, admirable as they were, and if his expectations had been realised, his operations would have been attended with similar, but far more important results to the creditors in all sorts of obligations, public and private, than he attributes as likely to flow from a substitution of gold for silver on account of the assumed eventual greater costliness of silver as compared with its present value

The truth seems to be that Mr Wilson reasoned rightly when he was discoursing on the merits of his paper scheme, and that he was wrong when he talked about the change of gold for silver as involving breach of faith

He was in the latter instance seduced from his correct principles, by the mistake of attributing to a denomination of value the fact of value AP itself, and he substituted the idea of the character of a commodity for the idea of a currency

In the former instance viz. of paper, in which he escaped the difficulty of the commodity, however convertible his paper might be, he remained true to the proper theory of a currency. This, as before shown, declares that currency is a machinery for the easier transaction of all the domestic operations of the State and of commirce. The State being thus responsible for working its machinery, of whatever character, as cheaply as possible, and with the greatest advantage and convenience to the community at large is bound to use paper as much as it can be applied with advantage, just as it would turn to its own uses a gold or silver mine which might be found in land in which the State has a private property

But, as already asserted an economical reform of currency by substituting gold for silver, which shall give the community the means of circulation and deposit at a cheaper rate than it has latherto enjoyed does actually afford also relief not so large but similar in kind to that afforded by the introduction of the convertible Bank note if the latter operation is to present all the consequences promised by Mr. Wilson an assumption be it said, which is open to more than reasonable doubt in the case of India.

CHAPTER V

The double "Standard of Value."—In practice a single Standard alone exists.—Illustration afforded by France and the United States.

Having established the exact meaning and function of the "Stand and of Value, it becomes necessary to pursue the inquiry, for the purpose of fixing the worth of that much vituperated thing a 'double standard."

It is said that a country has a double standard when legal tender is made of coins in two metals, silver and gold in payment of taxes and debts, a given coin of the one (viz., gold,) being held legally to be the equivalent of a certain number of coins of the other, viz., silver

Metallic money assumes two legal forms. Two metallic media of circulation appear, in either of which obligations may be discharged according to law, either wholly or in part At first sight, it might seem that under such an arrangement, two CHAP means of measuring the value of commodities are then afforded, and that a conflict must ensue between the two to the disorganisation of trade. It is well to ask if this is so

If the two metallic means of exchange were abstractions, like the signs for measuring length or weight, they might be jointly retained as mere means of measurement also No practical inconvenience would result from the use of such two means, but the labor of reducing the one to the other in calculation As, for instance, it makes no difference whether a piece of stuff is measured in French metres or English yards Price follows on the actual length of the stuff, and not on the signs by which that length is represented In the same manner, coins of different denomination, but of the same metal, are reduced from one to the other, according to the value they actually represent, without trenching on any other consideration When we have to deal with things, and get beyond the region of signs, the reality of value must be dealt with also. Thus silver and gold not being abstractions, but exchangeable commodities, beside having whatever functions of representation and measurement which may be assigned to them, follow the laws of supply and demand like all other exchangeable commodities This involves variation of relative value with regard to one another, according to the changing demand for them, variation in the means of supply, their conditions of bulk, the cost of transport, waste, and so forth The relative Mint value of the two metals may be struck by law with the greatest nicety, with regard to cost of production and delivery in the country where the Mint is placed, but the vicissitudes of production, and the necessities of commerce, including currency, are ever causing slight variations between the market values of the two

It then becomes a matter of calculation to creditors and debtors, as to which particular metal will best suit their respective purposes, when all such elements of value have been taken into consideration. It will not be forgotten that in these elements are comprehended the considerations of economical machinery already illustrated, through which an actual economy of the national capital takes place. Others of a not dissimilar character will be adverted to hereafter.

When two metals are engaged in a currency, the principle displayed in Chapter II comes naturally into operation That metal which asserts

IAP its superior cheapness as the material of machinery, for carrying on the transactions of exchange, excludes the other from circulation.

If a currency in one of the two metals can be carried on more cheaply than in the other the former will be preferred, although the original cost in producing each of the two is the same.

This consideration affects all alike, both creditors and debtors be cause the precious metals absorbed in a currency are so much of the capital of a country which is devoted without interest by the community to save it from living in a state of barter

The relative value of the two metals, taken as commodities and not as mere means of measurement, is carefully weighed and according to the price of the metals as fixed by the value of other commodities, or we may say by the cost of production as involved in the labor expended for that purpose will the choice be made by the payers of taxes and debts, as to which of the two metals shall be their medium of payment, or in which of the standards payment shall be made

If it be cheaper to the community to maintain a currency in one metal than it is in another when both have been launched on equal terms this circumstance must react on them as commodities and make the former the preferable means for the discharge of all obligations. It thus becomes established as the medium of exchange and deposit, what ever may be the law about the standard of value or the double legal tender.

Thus when there is a so-called double standard of gold or silver, or to speak more accurately a double legal tender if it be more profitable to the community at large to pay in gold payments will certainly be made in it to the exclusion of silver notwithstanding that the latter is equally a legal tender with the former. In such case silver practically subsides from circulation and sinks into the rank of a mere commodity of trade, with the exception of a certain small quantity which executes very petty transactions, the place of silver in the circulation and in deposit being usurped by the conquering gold, exactly as horses are pushed out by steam on the superior economy of the latter coming to be recognised as an agent of machinery

On the other hand, if the price of gold were fixed at too low a rate relatively to silver, in the legal tender of the two metals with regard to the amounts produced and consumed, that is to say, if the legal equivalent of silver were unequal to the market value gold possesses as a CHAP. commodity, the superior cheapness of gold as a material of currency would be defeated by the consideration of the profits of trade.

Gold would then disappear, and would subside from the circulation, because amid the freedom afforded by a double legal tender, silver would furnish the domestic money, and the gold merchant, being able to take advantage of the larger price gold would fetch abroad than at home, would export it all accordingly

The nominal double legal tender would resolve itself virtually into the single one of silver, and the best metallic basis of currency for a rich country would be supplanted by the worst, in defiance of a proper economy of the capital of the community, because of an error in the calculation of the value of the metals.

This seems to have been actually what occurred in France, from 1801 to 1850, during which time the market value of gold was in excess of its legal equivalent in silver.

The variation in the value of silver since the gold discoveries, which is reckoned at 5 per cent, seems to have proximately established the values of the two metals, at the rates previously but erroneously attributed to them, when the equivalents of the two metals were legally fixed. The gold Napoleon ceased to be worth more of silver francs than it could claim by law in the form of money. It ceased to be able to buy more value in a foreign country than it could in its own, which had been the case, till the gold discoveries, and the action of some other countries in this matter, to which allusion will hereafter be made. On this taking place, the superior economy of a entrency of gold as compared with silver at once made itself felt. Silver has in consequence, in France, been driven out of the circulation and of deposit, and has been exported, the currency of the country and its reserves being maintained in gold, which has been coined in vast quantities.

The same results were seen in the United States of America. A very slight variation of the relative values of silver and gold was sufficient to cause the fullest weight to be attached to the superior economy of the latter (gold) as compared with the former (silver), for the performance of the work of currency and deposit. Gold was accordingly, as in France, coined in millions to meet the contingency, and silver was exported, that operation being more favorable to the possessors of it than to tender it in payment of debts. The latter (silver)

sunk altogether to the rank of a simple commodity of trade. No variation of prices took place in other commodities, no inconvenience was experienced in measuring values.

The public debts and all other obligations were not held to have been in any manner affected by the circumstances the Mint value of the new gold dollar having been made as nearly as possible equal to the original Mint value of the silver one. The money made of gold reprosented value generally to the satisfaction of the public, according to the idea it had hitherto had of value in the silver form and the gold money was cheaper to the public as such a representative, than its equivalent of silver could have been on account of the much greater bulk, weight, waste, and expense of coinage of the latter

Thus it is seen in practice how other things being equal or nearly so, the question of tender and therefore finally of standard, is determined by the necessity of following the simple rule of economy which guides the conduct of all manufacturers and merchants in the transaction of their business. It is said that the question of standard is finally resolved by the instance afforded by the United States, to which I will now allinds though it may be necessary to dwell on it bereafter

Thus by the law of 1849 in that country a step forward was made towards the substitution of gold for silver by the introduction of golden dollars a certain weight of coined gold being estimated and legally declared to be equal to the original silver dollar

In 1853 although no legal objection was made to the discharge of the largest obligations in full weight dollars the silver coinage required for daily petty transactions was by depreciation legally reduced to the rank of a token coinage. Payments of more than five dollars could not be enforced in the token coinage according to law. This change was made as a matter of convenience. The national reserves had come to consist almost entirely of gold.

Perhaps it may be well to mention that a token coin merely means a metallic Bank note—that is to say, that a certain coin (say of silver) is authorised to stand for more than its weight of silver and therefore to be a sign of value which it does not itself possess. This is the case with the shilling. To prevent traffic in token coins to the derangement of trade a legal tender of shillings does not exceed 40. Beyond that sum payment must be legally made in gold in England.

In the United States so much of the old full weight silver coin had CHAP been absorbed as a commodity of trade, as to put the community to inconvenience in the execution of petty daily transactions.

The substitution of gold for silver on account of the larger functions having become complete, the necessity of consulting daily convenience was felt and acted on in the matter of silver coins of small value, as had been previously done in Great Britain

It was no longer required for the national convenience, that the silver coins current for such purposes should possess the intrinsic value of which they were the signs. The function of representation of value in the national reserves having been finally assumed by gold, it was evidently to the interest both of the State and of the individual, that no more of silver should be absorbed in daily petty commerce than was absolutely indispensable

Consequently, in 1853, the legal tender of the United States was practically reduced to a single one, the double standard of silver and gold being thus brought down to a single one of gold. This does not seem to have been absolutely stated in words. If any one had been unwise enough after that date to present his full weight dollars in payment of large obligations instead of exporting them, there was nothing in law to prevent him

With the two examples of France and the United States before us, we can thus haidly resist the conclusion that, as a matter of pure economical science, a battle about a double standard is a somewhat unnecessary contest. For whatever we may proclaim regarding a legal tender of two metals in discharge of obligations, the facts of payment and deposit settle on one of the metals, to the exclusion of the other from the currency. If two metals be declared to be legal tenders, but one will be tendered practically, the other gradually subsiding from circulation, being absorbed in domestic manufacture, hoarded, or exported, as may be found expedient by individual interests.

With regard to what may be further expected, or what may actually take place under the double standard, or when a two-fold metallic legal tender exists, we must again advert to the fact of the exchangeable value of the two metals.

Thus it is absolutely necessary in the interests of commerce and of the community, that there should be but one measure of value, whether or not there be a double metallic legal tender. This is so fully recognised in practice both by Governments and subjects that we find in the countries where such double touder exists by law that but one denomination of coin, of one metal, is admitted into the calculations of value. This is seen in the transactions of trade and of the revenue. The nominal value of the particular coin remains as a fixed quantity and is the recognised measure of value in the face of the legal two-fold metallic tender.

All accounts are kept in it, whether of the public debt or of private obligations. Thus in France the silver france has remained the denomination of the measure of value, although as above-mentioned, the legal tender admits of silver and gold and that the gold has practically driven the silver out of circulation.

The price of the gold is thus determined by the value borne by the silver at the time that gold asserted itself as the best medium of circulation. All transactions are still measured under the old silver form, though the payments are actually made and deposits are maintained in the gold equivalent

The interest of the public debt is paid in gold as being the equivalent of the silver which is due according to the actual terms in which the contracts for the loans were actually conceived.

Thus it may be said that any possible or prospective change in the value of silver is banished from view and that the value of silver only is considered by the Legislature and the community as it stood at the date when gold was poured over the country in supersession of the old silver coinage.

The French have not as yet advanced beyond this point. They have not as yet legalised ond fixed what has actually occurred in necordance with the principles which have been stated. We remark curious phenomenon the titular standard and measure of value have silke maiotained their position in silver notwithstanding that the money of the country has for the most part become gold. In this manner have discussions with regard to the Public Debt and the Breach of Faith argument been successfully disposed in.

Names have been retained, while legal equivalents declared with the utmost nicety of calculation have changed the face of the money or representative of value throughout France without in any way affecting prices of ligations or interests of any kind whatsoever Consequently it

may be said that the real fianc of the present day is the golden equiva-CHAP lent of the silver franc of the year 1850, just as we have seen that in the United States the golden dollar, in which all the reserves and currency are maintained, is the equivalent of the silver dollar of 1849. The comfort of the communities of both countries and the economy of their capital have alike benefitted by the reform operated, according to their progress and increasing wants

But, as already said, the United States have proceeded one step further than the French, and by the introduction of a token coinage for sums less than a dollar, have fixed their gold currency by law

It is probable that the gold currency of Fiance is practically as much fixed as that of the States, but it would be well if she also were to have recourse to a token silver cornage, according to the example set by ourselves, and followed by the United States.

We may fairly say that both France and the United States have exemplified in practice what has been maintained with respect to value, and the monetary obligations, consequent on a particular form of metallic currency, the said obligations being contracted for value, and not for the metal or commodity in which the currency is east

CHAPTER VI

Effect of the Demonstration of Gold subsequent to the Gold discoveries —Breach of Faith towards those on the debit side of obligations thereby involved

It is necessary once more to refer to a definition

The money absorbed in a currency, whether it be actually floating in the course of daily exchange, or in deposit for the purpose of insuring the convertibility of Bank-notes, and of meeting the balance of trade, is so much of the capital of a country, which a community estranges from the ordinary processes and profits of manufacture and commerce, for the easier transaction of its business

This absorption of capital takes place in a special form, viz, in a certain metal, or in metals which have been produced or imported in exchange for other commodities.

The absorption of a particular metal for the special purpose of money, in other words, of metallic currencies in the several communities

AP of which the world is made up, causes a larger demand for the metal or metals generally, than would be the case if these metals were not so used, that is to say if they were required only for the purposes of ms nufacture, jewellery, and so forth.

Many hundred millions of gold and silver are absorbed in the fauo taon of representing value which would be available for other purposes, if it were not more convenient to retain them for that particular one

The metals are therefore produced in great quantities, to meet the demand on account of this particular function of representing value which is known as a metallic currency, the metals employed in it being intrinsically worth the value they represent in the form of coins

The further conclusion is then that a much larger production of the metals takes place on account of the several currencies of the world, than would occur if these currencies did not exist.

Consequently as to make the monoy of a community of particular motals causes a greater demand for them and therefore aucrensed production, so suddenly and arhitrarily to drive one metal away from the fance tion, for which smongst others it was largely produced, cannot fail to affect its value, as shown in market price till the absorption and waste of manufactures have again given n stimulus to the production of it.

Further this operation on a metal hitherto used in n currency called demonstration in favor of another motal, which is retained, is liable to ronder the former cheaper and the latter dearer,

Such a result may be counterbalanced by other causes, but in the absence of such other disturbing causes it could not fail to follow

The ultimate practical consequence of sudden demonstration of one of such metals is that, owing to the cheapening of the demonstrated metal, it leaves the country where it has been so cheapened or it is hidden away, in the hope of better times coming for it hereafter

The production and importation on account of that particular country ceases, except for manufacturing purposes.

If not compensated for by the opposing action of other countries, we can conceive without fear of error, that production of the demone tised metal would altogether cease till the absorption and disappearance has occurred through manufacture and waste, till the reserves previously hold had been finally exhausted in it

This having taken place, the value of such a metal would again use CHAP to what it about formerly possessed, relatively to other commodities with regard to the cost of the labor expended in its production. We have seen that in France and in the United States, silver has been gradually but practically demonstised in recent times, without shock to existing interests, as it had been previously in England.

It is innecessary to remind the reader of the extraordinary wealth of those countries and of the productive power of their respective communities, as compared with all other countries and communities in the world. The trade and the production of them has been increasing at an accelerated ratio since the termination of the great wars in 1815. Leaving England out of the question, as having effected her currency reform before the gold discoveries, we may content ourselves for the present with the consideration of France and the States, with regard to the subject before is.

Then enormous wealth and trading power demand a great mass of metallic currency and reserves, and the demand is even increasing with the progress of their development, the daily augmenting multiplicity of the engagements and obligations they have to meet

For as the trade of a country and its capacity for production increase, so also does its demand for metallic reserves.

The reserves of France and of the United States must, as a matter of course, follow such a very simple and obvious rule, and we have evidence of it in the enormous gold coinage of both countries

The latter fact shows, besides, that their reserves are now held in gold instead of in silver, or part silver and part gold, as in former times. In these circumstances, and in the fact of the increasing wealth of Great Britain, France, and the United States, we find a chief reason why the value of gold has been but little affected by the gold discoveries, and the extraordinary production of gold which has taken place in recent years as compared with times antecedent.

If, as was done in some other countries, gold had been artificially demonetised by France and the United States subsequently to the gold discoveries, the result expected with much alaim by some economists and Governments would probably have ensued. It is certain that according to the amount now producible in the known mines, silver could

IP not have continued to supply the currency and reserves of those countries amid their great development without an extraordinary rise in its value, as compared with gold and other commodities.

Had then those countries been as ill advised as some others, it is really true that silver might possibly have taken the place of gold, and all leans and obligations, including public debts, nominally payable in silver, would in such case have been doubled, perhaps trebled, in value.

It perhaps may be said, then, that the course pursued by France and the United States and by England, in the matter of metallic our rency, has saved the world from a great revolution in the relative value of the precious metals and from the evils which could not fail to have followed on such a revolution

On the other hand the conduct of other Governments which acted under feelings of alarm and from incapacity to grisp the reality of what they were about was exactly calculated to cause the disaster which was the object of their fears

In the countries under such other Governments, the fact was overlooked, that to demonstrise gold, which had hitherto been used in aid of a silver currency was to add to the effects of the change caused by the gold discoveries in the absence of compensating foreign causes to degrade the value of gold by arbitrarily reducing that demand for it which had hitherto had the sauction of law and custom to deprive it of the principal function on account of which heretofore it had been largely produced vix., the functions of currency and of deposit, of forming part of the intional reserve, whether in the public exchequer or in individual boards.

Thus was gold reduced in those countries bastily and arbitrarily to the rank of a mere commodity of trade and manufacture, instead of being permitted to be the agent of vast operations involved in the character of being a legalised representative of value

In addition, therefore to the mines discovered in California and Australia gold mines were artificially created by the incounderate con duct of the Governments alluded to To the best of their ability, these Governments poured forth on the world the gold lutherto absorbed in their metallic currencies, or condemned it to idleness when they degraded it from use in their domestic exchange. That took place which has been

stated as certain to occur in the absence of disturbing causes. Gold CHAP was relatively cheapened as regards silver, its price being determined by the artificial value communicated to the latter.

For the value of silver could not but be proportionally raised, with regard to the amount of that metal existing and annually produced in the world being called on to perform the great function of money, or of representative of value, which had hitherto been divided between silver and gold.

The consequence was, that in all the countries adopting this course a positive injury was done to the community generally, and to all debtors, because the repayment of obligations, from the date of the legality of the gold tender being deined, had to take place in silver, the value of which had been thus artificially and arbitrarily raised, that being subsequent to the date on which the contract of the obligations had been made.

This injury was to the detriment of the State in its character of debtor, as it was to all other debtors.

It was a successful speculation in favor of the fundholder and of all ereditors. It was also a successful speculation in favor of all those who happened to possess hoards of silver metal, while it was the contrary to the holders of gold, it being understood that disturbing eauses of the counter operations of wisei Governments are put on one side, while the question and its conditions are stated with purity and absoluteness.

Under such circumstances, there is small room for surprise that silver should rise 5 per cent in value, which may be fairly attributed to the conduct just illustrated, and not to the new production of gold

We can only be thankful that it did not rise still more, a circumstance which, as above shown, can only be accounted for by the wise conduct of the three most wealthy and actively producing communities in the world, those of France, the United States, and Great Britain, and by the fortunate era of peaceful progress and of national development in which that conduct took place.

The progress and the development of these countries were sufficient to prevent any but slender change in nominal value on account of the increased production of gold, and their conduct was almost able to obstruct the mischievous regulations of other Governments, which tended directly to raise the value of every debt, public and private.

We cannot then resist the conclusion that the conduct of the Governments of Holland Belgium, and India in this matter, which has been mentioned in terms of commendation as being an useful experience by a great authority (the late Mr Wilson), it being called by him an act of great caution, was in fact one of inconceivable makiness.

He says that, "Before the gold discoveries, silver was rarely so low as 4s. 11d the cance ance it has seldom reached or it least exceeded 5s 2d the cance but under the apprehension of a fill, the Government of Holland, proverbial for its cantion, was the first to take alarm and having them a circulation of both gold coins and silver coins which were a legal tender at a fixed relation to each other, they demonstrated the gold coin, leaving silver the succent standard, the only legal tender

Thus Holland it appears, merely **ndor as apprehension* of a fall and not because a fall in the value of gold had occurred, was the first to set the fatal example. Holland was the first to create an artificial gold mine to mid the new Californian natural mines in changing the relative values of gold and silver, in fact to cause the very evil it professed to dread, and doubtless did dread.

The example was followed by another small but very rich country (Belgium) India under the British Government did the like, and gold which from time immemorial had been coined for circulation and reserve by all the Governments which proceded ours was made suddenly to cease to form part of the British Indian currency

The inevitable consequence was soon seen. The price of silver being thus unnaturally forced in other countries, while it remained at its natural value in France the United States, and Great Britain according to the commercial law which enjoins all traders to sell things in the dearest market and to buy them in the cheapest, silver forthwith began to flow to the market where it could fetch the highest price.

I would ask leave in considering this important matter notwith standing the fear of repetition, to refer again to the points involved in the value of obligations being increased by the sudden and arbitrary demonstration of gold in the several countries where it occurred.

I would also request that the facts of value, as applied to obligations (public and private) may be borne in mind the deduction from them being in the present instance that to demonstise gold arbitrarily and summarily, to order that silver only shall perform the functions of me fallic money, is to interfere with value as it has been hitherto determined

in respect of silver, to give a high price artificially to silver, and then to CHAP rule that that high price shall stand in the place of intrinsic value, as measured by the cost of production. Consequently an artificial high price replaces the natural price at which silver was estimated, when it was selected by contracting practice to represent value in mutual obligations between debtor and ereditor, it being the fact that the particular metal was only the representative of value, and was not itself a commodity of trade, in which either party was driving a speculation

These considerations are peculially important when we consider the public debts of countries, money obligations connected with the mortgrage of land, &c., &c.

There cannot be a doubt that in all the countries in which gold was arbitrarily demonstried, the public debt in those countries having been contracted under the denomination of one of the forms of legal tender, while two were admitted in the currency, the operation took place for the benefit of the holders and the detriment of the tax-paying public, in exact proportion to the use in the value of silver, viz, about 5 per cent

If they sold 100 rupces of then stock, they received value which was equal to five rupces more than they had originally lent.

Their dividends from henceforth were 5 per cent more valuable than they had contracted to receive, although the normal interest was the same.

All mortgagees, all holders of policies in life insurance, in short, all creditors in monetary obligations made antecedent to the demonstration, received a like benefit to the positive detriment of the debtors

It is really pleasant to observe that, with regard to the breach of faith argument, that which has been most erroneously used against a substitution of gold for silver, might have been, indeed ought to have been, if the nature of value is fairly considered, urged with firm and honest purpose against the operation called a measure of caution by Mi. Wilson

It is certainly true that the fund-holders, the cieditors, and the holders of silver of the time in the countries referred to, exercised the caution which makes laws and regulations to enhance the value of existing property, in other words, which legislates in a purely selfish interest to the detriment of the public at large which pays taxes, and of the huge class of debtors, including what is called the State.

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CHAPTER VII.

Justice can alone be done to the Community of India by the introduction of a Gold legal tender and the consequent prevention of rise in the value of Silver on the very poor Instance afforded by the incidence of the Balt Tarca.—Loss caused to India by the compulery importation of Silver.

Amongst other arguments which have been used against the introduction of the gold legal tender, we have been told that a great injustice amounting to robbery would be inflicted by it on the ryot, or cultivator. It is asserted by some that the proposed measure is meant to add to his difficulties, and it has been dubbed confiscation on such an account.

The assertion is a sednaing one to some minds. It is indeed but a re-statement of the breach of faith argument with a dash of sentimentalism infused, for the purpose of attracting the support of the British philanthropist

It may be fairly said that the truth is exactly opposed to the assertion and that justice can only be done to the ryot, and to those who are lower down in the social scale than he is, by reverting to a gold currency

It has been shown that, putting disturbing causes aside an irhitmry and absolute demonstration of gold must of necessity raise the value of silver. Consequently such an operation is directly disadvanta geous to all debtors whose obligations were contracted prior to it.

Such demonetisation is also disadvantageous to all who are bound to make payments of given sums at regulated periods according to micent contracts. For the sake of argument, we must assume that the rise in the value of silver with respect to that of gold is the same in India as it is declared in the markets of Europe although that perhaps is hardly so. Thus if silver is now worth 5: 2d an ounce instead of 4: 11d, as was the case in Europe in former days before the gold discoveries, and before gold was absolutely demonstrized in certain countries, very obligation contracted under the national denomination of value viz., the rupee before the changes adverted to, is practically worth about 3d more in five shillings, or something like 5 per cent, than it would have been had no such changes taken place

Consequently all leases, mortgages and public debts impose this disadvantage on those who are on the dobt side of the contracts made prior to the operation referred to Such parties—counteracting causes

being put on one side, of which notice will be taken hereafter as affecting CHAP India—are actually now paying about 5 per cent, more of value than they contracted to pay, because they are compelled arbitrarily to pay then dues in a metal the market value or selling price of which has been artificially raised 5 per cent by the absolute demonstration of gold, "

Let us examine how this encounstrace acts on the ryots of India

In the first place the land revenues of India being in the nature of rent, the State landlord receives 5 per cent. more of value than he intended when he contracted for the rent of his lands, or in other words settled the assessment of the land revenue.

In Bengal this settlement, made in the list century, was a permanent one. Therefore in Bengal, the essence of a permanent agreement has been invalidated by the fact of a circuitous arrangement, one altogether out of the minds of the contractors on both sides to the settlement when the settlement was made, that is to say, other distribing causes being put on one side, the permanent landholders of Bengal now pay 5 per cent more of value for their land than it was originally intended by them and Lord Cornwallis that they should pay, or than they did pay for more than half a century after that settlement was made

In the North-West Provinces and in Bombay the settlements are not permanent, but run for thirty years.

In the North-West Provinces the settlements were generally effected after the Act of 1835,† but before the treasures were ordered not to receive gold in payment of revenues.

The rents were therefore fixed in a great many instances before the value of silver could have been affected by the gold discoveries, and its price raised by them. Consequently, until the settlement comes to a close, the older lessees or payers of revenue under the thirty years' settlement of the North-West Provinces, are affected similarly to the

^{*} Be it said, in passing, that for the sake of the argument I am obliged to assume that the popular demonstration of gold has been really as effective in India as the laws and regulations would have made it. It will be seen in a following Chapter that this is by no means the ease, and that there is consequently reason to believe that India has in great measure escaped the evils of that demonstration, as affecting the relative values of silver and gold.

[†] Act XVII of 1835 This Act determines the silver and gold coinage, and establishes equivalents of respective values. It also enacts that gold shall not be a legal tender

permanent tenant of Bengal The land settlement of Bombay which is still proceeding, seems not to have been commenced at so early a date, but the argument must also partially apply to that Presidency

It is obvious therefore, that, so far as rent is concerned, all obligations contracted between the State landlord on the one side and the tenant on the other, which are older than twenty years, are discharged according to a notion of the value of the rupes which was not intended by either of the contracting parties, and which is to the direct disadvantage of the tenants. Let it be remembered that these tenants are the classes on whom most of the direct taxation of India is made to fall.*

Whatever may be our opinion of the policy of the immemorial system of State landlordism for raising the funds required for the functions of Government and administration in India, it is clearly wrong and unjust to add to the hurthen indirectly. Yet this is exactly what has been done by the course pursued with regard to gold and silver in the currency of the country, in disregarding the fact that a certain idea of value was originally contemplated by the lessors and the lessees, and not the actual commodity or metal in other words the special form of money in which that idea was for the time nominally represented in contracts.

In addition to the difficulty stated with regard to the contract made with the State landlord, we have the further facts of the indebtedness of a large proportion of the Indian landowners and ryots, under whatever name they may exist, towards bankers and others. This state of indebtedness is not only general, but is also in a vast number of instances overy old standing. It has come down from generation to generation, and is transmitted from father to son, the security being in the form of mortgage.

Here again the merigagee profits, as it has been shown that the State landlord profits by the arbitrary elevation given to the market price of silver, by the demonstration of the gold.

This is not said in depreciation of the Indian ratem of land revenue which I believe to be a most perfect engine of raising money for State purposes, when it comes down from ancient times, as is the case is India, and is not stricturyly applied as a noverly and therefore a tax. In the former it I strictly rent in the latter it is an impost which may or may not be equitable with regard to the burthens placed on the classes connected with the land.

Again has the builtien of the indebted ryots and of the indebted CHAP. possessors of land been artificially and encurtously raised.

It may therefore be said that in the matter of change of value in consequence of the absolute demonstration of gold, the great landed interest represented by the rvots or tenants under other names, and by the indebted freeholders of India, stand with regard to the breach of faith argument in the same position as the State, when the latter is viewed as a debtor on account of such portion of the State debt as is more than twenty years old.

In the character of a debtor the State is unfairly prejudiced

In its character of landlord it obtains an unfan advantage in Bengal with regard to the permanent settlement, and in the North-West Provinces with respect to the thirty years' settlement mangurated by the late Mr. Thomason.

If even there had been no counteracting causes to bar the effect of the legal demonstration of gold, it is possible, perhaps indeed very probable, therefore, that so far as the public purse, the Exchequer, is concerned, one of the circumstances neutralises the others.

In like manner, assuming the rise of the value of silver to be a fact for the sake of the argument, it is by no means improbable that the tenants or ryots who are wealthy and follow the national instinct of hoarding, have found a compensation for the increased value of the rents they pay, in the increased value of their savings. But the indigent ryots who were not what is called "before the world" when the value of silver was raised, who have to pay the interest of mortgages contracted by their fathers or by themselves, have no such compensation wherewith to mitigate the additional burthen inflicted on them, by the artificially effected increase in the market value of silver.

It is therefore evident that any measure which tends to airest the rise in the price of silver, to cause the value of contracts to be appreciated, as apart from the arbitrary augmentation of price of a particular metal which happens to be the legal tender of the day, cannot but be an unmixed advantage to the vast Tenant interest of India, from which comes the great bulk of the revenue of the country, in the form of a rent paid to the State landlord

There are other numerous classes besides the ryot and the indebted landowner, which have a right to demand that the value of the silver rupec shall not be artificially raised.

It is far from my wish to reflect on the financial system of India. The improvements which have been made during the last half century, the abolition of transit duties, the reduction of the rates of land assessment, the aboltement of customs duty on articles of first necessity, are all evidence of the spirit by which the Government of India is actuated, and of the right course in which it is moving. Difficulties present themselves with regard to raising the necessary revenue which impede reforms otherwise dearable.

It is on such account, we may presume, that the salt taxes, which are condemned on principle by the most enlightened Governments of Europe still find a place among the imposts on which reliance is placed by the Indian administration. The effect of the salt tax on the very poor is, as it is well known, of a most serious character. Thus, it is not to much to say that people of this class, in order to support life to prevent themselves from being slowly poisoned by the scanty farmaceous food on which they subsist must spend a large portion of their incomes on the purchase of salt.

The salt must be paid for in the legal tender of the day or in silver, a great part of the price of the salt being a direct tax to the State. The poor man like the rich one cannot escape a physical law. Although his mecome may only be from 3 to 4 rupees * or 0 to 8 shillings a month his health requires that he should consume as much salt as the man of large fortune

It must therefore be admitted that although the salt revenues may be levied either in the form of Exciso or of Customs they do in effect constitute a Poll tax on every man woman and child in the country, simply because salt is a necessary of life.

It is then evident that any measure which conduces to raise the value of silver artificially, in which as nt present ruled taxes can alone be paid, forms an addition to the Poll tax which is lovied on the enormous masses of the Indian population

Perhaps it will be said that all disturbing causes being put on one side, silver being assumed to rise in value as is feared the rupee received by the very poor man as wages will rise proportionately in value with that portion of the rupee paid away by him as a tax on salt to the State

Such a low rate of wages is now much less common than it used to be

This is true; but we may be quite suie that if the value of silver with OHAP. regard to all other commodities were to rise, the actual rate of wages as represented by the number of rupees paid for labor, would sink as the value of silver rose.

It is not perhaps likely that such a consideration would influence the scale of the salt taxes, unless it had been determined to revise the financial system and to abolish salt duties.

On the contrary, we know that actually while the piece of silver has been affected in European markets by the demand of importation to India, it being believed by many, however contrary it may be to fact, that the value of silver in India was also rising, the tax on salt, which, according to the legal tender of the day, must be paid in silver, has been raised.

I must again guard myself and bring to mind that for the sake of the argument, the facts of silver and gold only have been considered, the effect on the former, by the absolute demonstration of the latter, being alone taken into account in answer to objections offered to the proposed reform. It will be seen, as the inquiry is prosecuted, that both metals, gold and silver alike, have of late years sunk in value in India about pari passu. Consequently, both the payer of rent and the payer of salt taxes are on this account better off than they used to be, with the exception of persons living on very small fixed incomes—a considerable class in the town and village communities of India.

Before quitting the subject of justice to the community as involved in the proposed reform, it is well to advert to that which is so clearly stated in the Memorial of the Chamber of Commerce, viz, "that while silver must be transported to a great distance, and reaches India buidened with heavy charges, gold may be cheaply procured from neighbouring countries"

From this follows a prejudice to India, because silver being burdened with such heavy charges, cannot be re-exported without loss, much of its reproductive power being thus lost to India

It is further pointed out in the same Memorial that India, instead of being the last recipient and the absorber of silver, would become the first importer and distributor of gold, if her currency were put on a reasonable footing With regard to the facts of India being a producer of manufactures as well as of raw commodities, both the former and the latter being available for direct export to the gold producing countries it seems clear that a positive mjustice is done to the Indian community by permitting a state of things to exist which unfavorably affects the value of gold in India, and compels a large importation of silver when gold would otherwise be preferred.

There can be no good reason to compel the precious metals to make the journey from Australia round by London to India instead of coming direct to the latter country. Yet that is what to a certain extent necessarily takes place, and which throws heavy charges on the metal ordamed as a legal tender viz., silver. The gold of Australia must go to London to be exchanged for silver which is then sent out to India after being bought at an artificially high price in Europe and the United States. The European markets are the middlemen, who obtain their profits on the silver sent to India to restore the balance of trade.

Those profits are thus a partial deduction from the profits which would otherwise accrue to India berself. It is evident that this is neither more nor less than a grievance, seeing that the proceeding is arthrary and artificial, and not demanded by the natural wants of commerce

It may be argued that the present extraordinary state of things cannot last, and that India will cease to be such an importer of the precious metals as she now 12, when the supplies of cotton from differ ent parts of the world shall have become equal to the demands of the several markets of Europe and America.

This may be true to a certain extent but so long as India is a great producer of raw commodities and a considerable manifacturer, and natil the masses of her people have so changed their habits as to become great consumers of Enropean productions we must understand that the balance of trade will continue to require a large annual importation of the precious motals. Let it be remembered that her powers of production her capacity for manufacture, and her determination to avail herself of the profits of foreign commerce, are daily increasing, while the change of habits and customs, involving a demand for European commodities to which the Indian mind is not yet habituated, cannot but be a matter of very slow growth

I have heard it said in answer to this argument, that the trade of CHAP VIII. India with Australia being as yet slender, to import gold direct from the latter to the former in large quantities is at present impossible. We may however believe, that mercantile ingenuity would overcome any difficulty of execution which stood in the way of buying gold cheap at the mouth of the mines, instead of when it is burthened with the cost of freight by a journey to London

Thus if A, an Indian merchant, exports his cotton to B in England, B may send cloth to C in Australia and make his payment to A in India in the form of bills drawn on C in Australia, which would be discharged in gold. That gold is I believe worth about £3-15 in Australia instead of £3-17-10 the price of the Bank of England, to which it rises in the European markets in consequence of freight, &c.

CHAPTER VIII

The introduction of a Gold Currency into India is urgently required as a matter of convemence and economy to the people at large —A Paper Currency inoperative, owing to social causes —The introduction of a Gold Currency demanded by the same social causes

We now proceed to other considerations.

It is believed that the justice of any measure, including the gradual and partial demonetisation of silver, which may prevent the further upward move of the market value of silver, or its selling price, has been fully proved

We have now then to discuss those other parts of the question which have been already generally stated in the second chapter of this treatise, viz, the convenience to the people, the superior economy proposed by an arrangement which shall include gold in the currency, as compared to the charges and want of comfort to which they are at present exposed.

With regard to Mint operations, to economy of manufacture and administration, and to the saving of waste of material, and therefore of the national capital, by substituting generally as means of circulation and deposit, the more costly metal, gold, for the cheaper one, silver, it is unnecessary to recapitulate the arguments by which this part of the subject has been already illustrated *

^{*} Vide supra, Chapter II

But when we come to consider the questions of porterage of com, and of preserving in security the savings of the poor and of large sections of those elevated above poverty, we touch a subject intimately connected with the social habits and the imperfect civilisation of the people.

Let us reflect on the fact that the populations of India have the most simple and gregarious habits. There are tens of millions of the people who carry their little store of wealth habitually with them on their persons or hury it in the corners of their luts. To perceive the actual presence of their hardly saved rupees, or to conceal them away from the eyes of all other men, is their only notion of safety for their alender property

For them therefore it is difficult to over-estimate the advantage of having the intrinsic value of their savings in the smallest and most portable form. The intensity of the want of portability of money comes before us in various ways. It is one of the conditions of what may be called the extreme promiscuity of existence seen in Oriental Basars, in the town and village life of India, as compared with the habits of European communities.

The importance of portability of the precious metals, as a means of being constantly on the watch to preserve the reserve wealth of the family is observed in the addiction to personal ornaments of silver and gold.

The reserve capital of n family is carried for safety on the persons of the women in the form of gold or silver bangles, as much as for ornament.

It is but an instance of the habit of thought of the desire amounting to a craving to intensity the feeling of security, which we see in Oriental Potentates, who invariably invest large portions of their surplus wealth in precious stones and durable valuables.

Thus, overy man who is just raised above mendicancy, carries his hitle store of money on his person, or he huries it. The waistband of almost every such man contains a few rupees or a coin or two of gold, which represent all his wealth, except his wife a bangles and his tools

We saw the exaggeration of the notion of the value of portability during the recent rebellion in 18.7 53 when the price of gold rose 50 per cent, in the bazars of the North West solely because of that quality. The gold mohur, which used generally to be exchanged by the CHAP. money-change for 16 rupees, its Mint price being 15 rupees, actually rose to 24 rupees, which were readily given for it.

I am particular in noting these circumstances, because, if fairly interpreted, they display a fai more serious necessity for the introduction of a gold currency among the population of India as a matter of convenience, than perhaps may be the case in more advanced communities. This has probably always been so, but it seems particularly desirable now that wealth is beginning to spread among the people in a manner which would have been believed to be impossible a few years ago.

In America and in Europe the great reserves of precious metals are for the most part secured in the strong rooms of Banks, the value being represented by convertible paper. The promise to pay satisfies every one. The reserves being known to exist, and to be forthcoming to redeem the promise, gold and silver are but little seen in the course of business, except in the petty daily commerce of life.

The old habits of feudal Europe have well nigh died out. Secret hoarding, the carrying about the little store of wealth on the person, and the use of the hearthstone, so common in many countries till quite a recent date, the resources of the weak and of the oppressed, seem to be almost forgotten

Money is felt to be safer in a Commercial or a Savings' Bank The people are satisfied to let their money "breed" if possible, and faith in obligations such as Bank-notes, or Bank-neceipts, has entirely replaced the want of confidence, which among ignorant and backward populations, refuses to be satisfied except by the daily evidence of the senses.

But Oriental populations, if we except the inhabitants of a few large seaboard cities, are generally a long way from such a result of progress in social polity. They are not practically educated to the point of appreciating the convertibility of paper, and the advantage of popular banking. The latter in their eyes is connected with their natural enemy the usurer. The former must remain for a long time an object of distrust

The people hug the idea of intrinsic value in coins of the precious metals which will last for ever, which will be again found, if was sweep over the country and destroy all that is above ground.

It will be understood that they would not care to bury the Bank noto in a corner of the hnt. They would know that the paper would rot, be destroyed by damp, or be eaten by insects.

They would further be always oppressed with the idea that it might lose in value, or become inconvertible hereafter, in the midst of political changes,—a by no means unreasonable suspicion

To the very poor the Bank note would also present senous objections on account of its easy destructibility. It must wear out in the waistband Its want of weight, its very flumsness, proclude the idea of its general use by the very poor who like to assure themselves by constant touch that their little reserve store of wealth is actually in its usual place on their persons.

There cannot be a doubt that such people would long to change the Bank note, when paid to them in satisfaction of their dues. This they would undoubtedly do even at considerable loss mither than continue to trust in what to them is a doubtful representative of value. Such facts daily pass before our eyes, even in great marts, where other things might have been expected

It may further be eard that, of all people in the world the population of India curries practically and keenly into execution the principle, that the money actually current is a commodity which must possess the intrinsic value it assumes to represent

To them bangles are convertible into rupees and vice verid.
"The gowd s the gowd for a that."

Thus in some Native States, the people refuse in their retail operations to take the British rupee without a slight discount because they declare, whether rightly or wrongly that the rude rupees supplied from their native Mints, have more of silver in them, or are freer from alloy than the British rupee.

The gold mohurs produced in the Nutivo Mints, were I am informed, always more in demand for similar reasons than the British gold mohurs, when gold was received of our treasures. To this day, the pority of the old gold mohur of Oudh, and of the gold mohurs couled at Jeypore, is held in high estimation

These matters are valued with the greatest nicety by the native embist, and they descended into minuto retail operations, to the extreme disadvantage of the very poor Those practically acquainted with India will understand how they CHAP. must affect a widespread circulation of Bank-notes. The difficulty of generally applying Bank-notes, must remain, until the suspicions of the people have been allayed by practical and patient education, and their civilization in the matter conceined has reached the point we have lately, but very lately, seen attained in some European countries.

It is not asserted that a large development of the paper currency would not greatly facilitate the business of domestic commerce, the transactions in the large towns, the operations of great merchants and shop-keepers, and of Government in its several characters of State Landloid, Merchant, Producer, Administrator, Banker, and Provider of a currency. I desire only to show that what are called the masses, the hundred millions, with the slight exception perhaps of those living in the seaboard cities of Calcutta, Bombay, Madras, and Kurrachee, will, for the present and for many years to come, fail to appreciate a system of paper representing Government promises to pay

My object is to declare the strength and importance of the habits and customs,—of the immemorial feeling among the many races of which the people of India is made up,—that they must have intrinsic value in their hands, before they are convinced that payment has been made to them. In their present state of knowledge and civilization,—their habits of thought and of practice being based on the ideas of barbarous ages, when concealment and the hoarding of money were necessities of existence,—we should not expect them to hold different views. Such views will in the lapse of time come to be entertained, but it is in vain to attempt to force them forward. They must grow naturally amid tender encouragement.

In this matter we have to overcome what is called the "immobility" of the East. This we know successfully resists sudden pressure. It can be stirred only by bringing Nature to our aid, as we remove the bar from the mouth of a harbour, not by steam-engines and hydraulic presses, but by turning a current, which gradually washes away the immemorial obstruction

So must it always be in the introduction of improvement into Hindustan. We do not find that the natives of India are slower than those of other countries to profit by innovation, when their understandings have been convinced that advantage will flow from the change. But it is certainly true that the conviction must be practically won

Theories are not taken on trust. The expenence of other countries is not admitted as sufficient. Custom is paramount till it is dislodged by the actual evidence of the senses, that success attends a change, and that gain follows on the change

This having been achieved, immobility is shaken among the masses, the bar finally disappears before the increasing strength of the new current directed against it

Then is perceived what we have seen in the plantations of New Orleans cotton in Southern India, and of tea in the North. In each case the people had to be practically educated to the point required for a change in their industry. The introduction of the change could not be effected in less time than that represented by n generation. It finally took place, because the people bad nt length convinced themselves by their own experience, that what was announced by Government and foreign planters was actually true

These facts of Hindustanes nature so important to the Legislator and the Administrator must surely not be permitted to escape us when we contemplate the introduction of convertible paper, and desire to substitute promises to pay in the hands of the people, for the metallic payment itself. For in this the unedaceated and the timid have alone confidence because as yet it is the only thing they have known by which value could be represented, and the only thing which has been proved to them by the experience of ages to be durable and recoverable, when all other produced things might be swept away.

The social aspect of the question is after all the truly important one, that which presents onormous difficulties in the way of execution of a general paper currency. The economical theory of the advantages of a paper currency is doubtless absolutely true, but we are convinced by a thousand instances that in politics scientific truth, must wait patiently, must gradually force itself on popular conviction, here a little and there

An over hasty application of the most perfect economical system, which ignores the facts of the existing state of knowledge and civilisation, defeats the objects sought by the advocates of the change. In such case the Government of a country is fortunate if the resistance it is certain to encounter, be only dumb and dogged as it might be in India instead of violent and inflammatory, as it assuredly would be in Europe

It seems to me that those who, like the late Mi. Wilson, have had CHAP, absolute faith in the virtue and the possibility of the immediate application of a convertible paper throughout India, have overlooked the foregoing considerations.

Thoroughly imbued with the truths of economical science, they have overlooked the social bar standing directly before them, submerged though it may be by the calm waters of Indian tranquillity and apparent submissiveness to the orders of Government.

They have forgotten that that submissiveness is perfect, so long only as the personal interest of the individual is favorably concerned, but that at the point where the interest is either prejudiced, or the individual thinks it is prejudiced, the opposition becomes determined and invincible. It is none the less so, because of the outward calm of the spoken and acted submissiveness. As before said, we find ourselves in the presence of great results of natural causes. These results cannot be removed until the causes themselves are diverted.

Yet Mr. Wilson thought, and tried to act on the thought, that by a simple order of Government, the people of Hindustan might at once be induced to appreciate and use a convertible paper eurieney, which would have dropped on them as a novelty to be understood and fed on, as manna was by the Israelites in the wilderness.

It is not then too much to say that Mr. Wilson fell into the error of overlooking or of putting aside the political truths conveyed by the social aspect of the question

It seems clear, that in his aident desire to relieve the currency of India from the difficulties in which he found it, according to his own economical views, he entirely failed to estimate the obstacles presented by custom and habit, by ignorance and prejudice, by the facts of the enormous numbers of the population among which the metallic reserves of India are fractionally distributed, the principle of the Savings' Bank being as yet entirely unknown to them

Mr Wilson evidently must have reasoned as if he had had a British or an American public before him, which has been educated to the point of understanding, that the convertibility of the Bank-note when real and positive under the authority of the State, or any other equally valid authority, is but another term for actual value.

His sanguing temperament was perhaps unable to appreciate, that to eause such a truth to sink into the mind of the Indian population,

ar and to become operative amidst its shallows, must be an affair of many II. years. He was probably misled by what he saw at Calcutta and at Bombay He doubtless assumed, for the more convenient floating of his schemes, that the great masses of the Indian people differed in no respects from the native inhabitants of those was trading cities.

Yet nothing can be more erroneous Bombay and Calcutta evince the effects of a practical British education which has lasted for two centuries. In the matters of trade, of the changes and improvements in the art of commerce, they have proceeded with the Ruropean countries, more especially England, with which they have been in direct communication. In such respects, therefore, the people of these cities resemble the communities of Liverpool and London rather than the masses of their poor countrymen in the provinces, who are only now commencing the radiments of a like education

This has been practically seen in the districts wealthy as they are, and overwhelmed by the sudden prosperity lavished on them by the cotton criss, where the Bombay Bank has established its hrunches

The people of these districts are shown to be not ripe for a Bank note circulation, and in point of fact they will not have anything to say to it.

They are greedy of the metals in every form. Silver coined or un coined, gold in bars and golden bangles, have the greatest charm for them. Gold ou such account is bought in the Bombay market and taken into the interior directly it appears. There is at present no more profitable trade than to import gold for this purpose. An ingot currency organised by the people themselves, has as it were spring into existence, on account of the new value created in the country by the cotton crisis and by the largely developed export trade following on it. But the Bank note is despised in the provinces as it was before the strange, unlooked for, and enormous addition to the material wealth of the country, which has recently taken place.

It will be recollected that Mr Wilson suchemes were elaborated in 1859, or more than a year before the outbreak of Civil war in the United States.

Nothing could be so favorable to the development of a paper cur rency as a vast accession to a material wealth, the consequent increase of transactions, and extraordinary impetus given to the activity of trade Circumstances on which Mr Wilson did not reckon, have all been CHAP, immensely in his favor.

Yet, so far as we know, whenever Bank-notes have been offered out of the Presidency towns, they have failed to attract attention, while on the contrary the old passion for the possession of the metals, silver and gold, has made itself felt with tenfold force among the "nouveaux riches" of Hindustan

Thus have old social habits been triumpliant, and the artificial devices of the Art of Commerce, for the furtherance of the freedom of exchange and the saving of capital, are steadily put uside, simply because their merits are not understood, and because the people are not educated to the point of understanding them, and therefore of departing from their ancient enstom.

It is curious to note the determination of the population at large to acquire gold in preference to silver as a means of ornament and hoarding, so soon as their increased wealth permits of it.

The fact is remarked and reported by Collectors and Superintendents of Police. It is said that since the cotton crisis, gold bangles have in some favored cotton districts become almost as common as silver bangles were before. Su Arthur Cotton relates that before the opening of the Godavery canals, the district of Rajamundree was one of the poorest in India. The irrigation of the soil converted it to a rich one.

He visited the district a few years after his canal labors had produced their fruits. Wealth had taken the place of the most ghastly poverty. The district had become a steady importer of gold.

It is then evident that the people must have and will have gold.

The want of it being strongly felt in accordance with the instincts of the people, with regard to the late accession to their wealth, they are rudely proceeding to supply themselves.

Thus twenty-one millions of gold (pounds) have been imported into India since Mi. Wilson's currency scheme was propounded, viz., since 1860-61 *

In the incomplete financial year of 1863 64, viz, till 15th February 1864, the importation of gold to Bombay alone has been Rs. 4,13,46,748 This sum has been imported on private account, and is exclusive of Government remittances.

^{*} Importation of gold to Calcutta, Madras, and Bombay-

Although his paper scheme was grievously mutilated, an attempt has been made since that date to float a tentative paper currency. That attempt has failed, as already shown whilst the enormous sum of gold just cited has been absorbed so soon as it appeared and this fact has taken place notwithstanding that gold is not coined in the British Mints and is not available as a legal tender in payment of debts and taxes

What is then the inference?

By every consideration of regard for the people for their convenience and the economy of their means, we are bound to give an admin istrative form to the solution of the problem of a gold currency which, in a rude and barbarous manner, they have, to a certain degree, worked out for themselves.

CHAPTER IX.

Change of values in India.—Disturbing causes of value.—Increased demand for metallic cir culation.—Popular instinct has currected an administrative defect.—It is our duty to follow the lead thus given.

A survey of Indian affairs during the last few years, makes us acquainted with circumstances which have an intimate connection with the subject before us

Thus it is seen that many causes have touded to accelerate—perhaps it should be said to create—a new development in India.

The throwing open of trade fifty years ugo has at length come to have its full effect—the foreign trade which was most insignificant at the commencement of the century, now exceeds a hundred millions sterling. New industries, new commodities have sprung into existence to meet the wants of daily augmenting demands of foreign commerce.

Vast tracts of country which were formerly devoted entirely to the production of coreals, are now alienated to other purposes,—to opinm, to cotton, to cilseeds

Provinces in which corn was not many years ago at a fabiliously low price, are now importers of grain. The consequence has been that for several years a steady but certain rise of prices has been observed to be proceeding

Much more of money has flowed into the country and been distributed throughout its wide area, than could be received and absorbed in former times Silver and gold have alike become cheaper, as a greater demand for CHAP other commodities has followed on two causes—the new demands of foreign commerce, and the enlarged power of consumption evinced by the people in consequence of their prosperity.

The latter erreumstance is shown by the unfailing test of the salt taxes. The consumption of salt, as proved by the returns of the tax, is steadily rising, the craving for that necessary aliment being the first to be satisfied as a condition of health, as the means of the poor are ameliorated.

It will be understood that a largely increased foreign commerce must add immensely to the amount of domestic production, and therefore to the number of transactions, each in their own way demanding more consumption, more labor, more land, more conveniences, more means of exchange, more money, and an easier adaptation of money to the supply of the new wants

These facts have all been visible in a very marked manner in India

Thus great tracts of land are being daily brought into cultivation, which for ages had lain waste. There is no part of the revenue which is more remunerative, more clastic, or shows a greater tendency to increase, than that proceeding from the land. Notwithstanding that the assessments or rates of rent are much lower than in former days, the actual amounts paid into the Treasury exceed those of the times of high assessments, because of the larger area brought under cultivation, and of the exactness with which the assessment is now paid.

Instead of a population which was too numerous for employment, there is now an active competition on the part of employers of all sorts to attract labor.

One great reason of the rise of prices in all descriptions of food is the greater disposition to consume. The people being richer, actually eat more than they did in their days of poverty

The rates of wages are rising everywhere, but more especially in the neighbourhood of the sea-coast, where labor is most in demand

^{*}This remark refers to the Presidencies and Governments into which the Permanent Settlement has not been introduced. In them the Treasury benefits as does an improving landlord whose ultimate returns are augmented by the prosperity of his tenants Such a result seems to be precluded by the Permanent Settlement, which transfers this advantage to the Zemindar or large landholder in Bengal Proper

The conveniences required by a great activity of domestic commerce have simultaneously made their appearance.

Thus railways which create so many new industries and employ the population by millions, are becoming a part of the habits of the people, wherever they have as yet pierced. The same may be said of constang and river steamers.

Hundreds of thousands of carts have within the last twenty years supplanted the pack bullock and the camel in wide areas in which for merly such carriage sufficed for the insignificant traffic of the country

The Public Works Department of Government is striving to meet the demand for improved communications in aid of the railways, and to ease the growing traffic of the country to the best of its ability. Much is being effected—competition for labor both of man and beast being thus added by the Government to the exertions of Railway Companies, and to the energies of other employers.

If we turn to other matters of convenience we remark that numerous Banks have been established that the small capitalists are making themselves felt in India as they do in Europe in the form of "Companies" for carrying out the purposes of trade and manufacture

It is observed that within the last quarter of a century a system of barter still prevailed in many parts of India.

The country was too poor in some parts, to own the presence of money, to be able to pay for the convenience of it. Now, on the contrary, the rupee has penetrated everywhere, and it is doubtless true, as remarked by His Excellency Sir Bartle Frere, that one of the causes of the increased demand for silver and gold, may be found in the simple fact, that in such lately pauper districts, an entirely new circulation has had to be recently supplied.*

Let us add to this cause snother Let us recollect that countless individuals, who must be reckoned by scores of millions have respectively come to be the possessors of small portions of reserve wealth which they either consume, save, or employ in reproduction. We shall then be able to form some idea of the immense but comparatively new demand for increased means of metallic currency, which cannot be measured by European or American experience.

What then have we to note? It is simply this: India has within CHAP. the last generation passed from a state of poverty to one of comparative wealth, this being shown by all those signs which we are accustomed to consider as certain uncring symptoms of prosperity and wealth in the communities of Europe, viz, the cheapening of the precious metals with regard to other commodities, increased power of consumption among the people, the great and still growing demand for new means of metallic circulation, the augmented demand for labor, the development or the creation of the expedients by which in civilised and rich countries it is sought to economise the labor of man and beast in every form.

It is thus seen that what I have more than once alluded to as disturbing causes, in their effect on ancient values in India, have been of late very great. While on the one hand, accidents have tended to slightly raise the value of silver in foreign countries in which exists the legal coin of the Indian Empire, on the other the material development, consequent on an era of peace and prudence and fairly good government, have much more enhanced the value of domestic productions and therefore of the cost of labor in India itself, comparative competency flowing in on countless individuals, and great wealth on very many.

Such facts alone must convince every one that, putting all other reasons on one side, we have in these circumstances an ample cause for great increase in the circulating medium.

The vastly augmented numbers of transactions as compared with former times, the rise of wages throughout the country following on the demand for labor, together with the increased market value of all commodities as shown by selling price, have called for a great addition to the amount of metallic money in circulation and in deposit, for the mere execution of business.

This would be a certain result in any country in a condition of rapid progress, but it is tenfold more so in India, if we take into consideration the habits of the people, which have been adverted to in a preceding Chapter. These habits, it will be remembered, preclude the idea of a paper currency being allowed the fair play which it obtains in more advanced countries.

There is yet another consideration.

It is doubtless true that the addition to wealth among the people at large will produce a change of manners at no very distant date. We shall ultimately see commodities imported into India for the satisfaction of laxury and comfort among classes to which such matters have been hitherto nuknown. The change of manners has already taken place in Bombay itself, and importations are seen accordingly to meet new wants.

Perhaps the change may be said to be beginning to make itself felt in the provinces, since the great flux of prosperity poured on the mer chant and cultivator by the cotton orisis.

If this be so, it can be but a very slender beginning. We must writ for some years before we can expect that the Indian mind generally will undergo a great change. It will not immediately look for value in increased comfort, such as is to be obtained from imported manufactured commodities, to which it is as yet not accustomed. It will still prefer to revel in the possession of a certain quantity of silver and gold and to be satisfied with such further consumption as is in accordance with the productions of the country and the prevalent notions of enjoyment.

The old craving for the precious metals is as strong as in the days of poverty. This cannot therefore but cause the disappearance from circulation of great masses of metallic capital, the ancient habits of the people thus combining with the new activity of their modern commerce and industry to stimulate the demand for the metals, to increase the amount of deposits, and therefore to cheapen the value of the metals, to reduce them in price, as compared with other commodities

This process, half economical and half social, by which values are thus disturbed, has been proceeding in the Bombay Presidency in a very marked manner. Great numbers of the population are afflicted almost to starvision on the one side by the rise in prices, viz., those who live on very small fixed incomes, while the fortunate owners and tenants of the land and the merchants and shop-Leepers on the other, are over whelmed as it were with the silver and gold which has been heaped on them, and with which as yet they hardly know what to do, beyond amassing it in a glittering heap, turning copper bangles into silver bangles, and silver ornaments into gold ones.

The nmon of the old social causes with the economical one of mate rial improvement, the two operating towards the same conclusion, which drags the precious metals from the West to the East, is one of the cir- CHAP cumstances of the difficulty the currency of India now encounters, which has the most escaped consideration.

The fact is powerful in showing, that even if silver was adequate to the wants of Indian circulation before the setting in of the late prosperity, it is no longer so. For unless corrected by the determination of the people to have gold as a representative of value, whether or not it be coined into money, the circumstances of improvement would all react in raising the value of silver, and therefore in adding to the burthen of those who have contracted to pay value according to the nominal legal tender of the day, for, as already shown, an addition to the functions of the circulating medium must add to its value as a commodity, because more of it is drawn from the other uses for which it is produced.

The correction of the wants of the currency has been enforced by the practice of the people. It is evident that in the popular estimation, gold is a representative of value equally with silver, and the people are determined that it shall so remain. The popular instinct has been wonderfully true to its own interest. In spite of the legal restriction conveyed in the sole legal tender of silver, the instinct operates largely to do what has been done in France and the United States by means of the double standard. That is to say, the force of that instinct has generally maintained the former relative value; of gold and silver in India, although with a slight depreciation of the former, by compelling the large importations and the distribution of gold, in spite of the prohibitions to discharge obligations in coins of that metal.

The value of the phenomenon here noted with regard to the question before us is immense, it being evident that both gold and silver have been for a long time bought at immunerative prices in Europe for the purpose of exportation to India.

If silver is cheaper in Europe, Australia, and America than it is in India, so is gold, that is to say, the commodities returned on account of the two metals, are more in demand in the other quarters of the globe, than the metals are.

^{*} Vide Supra, Chapter V. † Vide Appendix, Tables of Value ‡ Vide Tables F G.

On the other hand, in India itself the metals, owing to the abundant importation to the East are cheap with respect to all other commodities and to the hitherto customery cost of Indian labor. But the cheapness affects both silver and gold alike, and the relative value of the two metals has been only slightly affected in India because, although, gold has been legally demonstrated the instinct and amend custom have been triumphant in retaining gold as a representative of value and are causing it to perform some of the most important functions of money

Can further proof be required of the illusion under which Mr Wil son must have proffered his advice in 1859, and the Government of India issued its prohibitory orders to receive gold at the Treasuries in 1852?

We are therefore again brought to the point reached in the last Chapter viz, that on account of the convenience of the people this resting on new economical grounds as well as the old social ones we are bound to follow the lead they have given us, to afford an administrative form and sanction to a gold currency

However strange it may at first sight appear it is doubtless true, that the popular instinct has saved us from much difficulty in giving practical effect to the necessary arrangements.

Thus knowing as we do that the importation of gold has been of late years proceeding at an accelerated ratio as compared with former times that consequently immense masses of gold are held in the country, and that the gold so held must proportionally have displaced silver, we case to fear an alarming depreciation of the value of the latter when it shall be partially and gradually demonstrated by the introduction of a gold currency

It being thus clear that great stores of reserve value are maintained in gold by the practice of the people we are saved from the dread of committing ourselves to a measure which may in any manner interfere with the national tastes, or invade the national notion of value, with regard to the discharge of obligations in their integrity

Such reflections are especially important to us as removing even the faintest idea of want of equity towards the holders of silver—whether they be wealthy capitalists, or the poor who in individual sleader savings build up national deposits as islands of coral are produced in the occan

These considerations have a like weight in answer to the oljection which has been conjured up, but it is hoped has now been dispelled, with

regard to the fanciful assumption that in the discharge of obligations CHAP the actual metal of the fortuitous legal tender or current coin must be absolutely considered, instead of the value it represents.

We may believe with certainty in consequence, that no change of any importance in the popular consideration of the value of the silver rupees, could ensue on the introduction of a gold currency. Existing stores of silver would be absorbed gradually but certainly in manufacture, and by the universal taste for jewellery among all classes, rich and poor, the only effect being that the importation of silver would diminish, perhaps might almost cease for a time, while an impulse would be given to the importation of gold

As respects national tastes and desires, we should but revert to a concurrence with the habit of thought, which has been sufficiently powerful to resist the enforcement of the sole legal standard absolutely ordered in 1852, in opposition to the old customs of India, and to the practice of all Governments preceding ours, that practice having been our own till a recent date.

CHAPTER X

Caution necessary in the mode of Introduction of the Gold Currency —Transition period of double legal tender —Token Coinage inadmissible during such period.

It is hoped that much of what has preceded may be borne in mind, in considering how practical effect may be best given to the demand made for the introduction of a gold currency into India.

The social facts of India to which allusion has been made, as well as the illustration afforded by other countries in similar circumstances of change, seem especially worthy of reflection, when we determine what is to be done in the matter before us

Thus knowing as we do that an immense quantity of silver coins is held in the country, a considerable time must clapse before the masses of silver which are in deposit and in circulation, can make place for gold. This is so on two accounts.

A sufficiency of gold coinage cannot make its appearance per saltum in exchange for the silver. Time is required for the mere mechanical operations of the Mint, and when the gold has been coined, for its further distribution through the country. It is evident that, if a hasty

AP order were given to make payment of revenue receivable only in gold,
the gold coins actually in existence would go up to an extravagant price,
because more would be demanded than are now probably to be found in
the market, whatever the exertions made by the money-changers.

Secondly, it is most desirable on other accounts, that whatever change is made should take place most gradually according to the demand evinced by the people, as the mode in which it may operate on their interests dayns on them.

We cannot be too careful to avoid the charge which might be justly made if by a sudden and absolute demonstration of silver, we were suddenly to reduce its value in the local markets. This consideration has great weight with regard to the amount of silver now in the country. The gradual and due absorption of that metal, is demanded by every principle of justice and equity, before gold can be absolutely substituted for silver in the currency. Absolute substitution is a very different thing from adding gold money to the present custing silver money.

We must be further careful as a matter of social policy not to disturb the popular, existing and healthy notions with regard to value and exchange. To ensure this when we present to the people coins of the two motals for general use, instead of one as heretofere, we must not interfere with the reigning idea, that the coins of both metals are valued by the people on account of their intrinsic value that is to say, of the amount of the metals actually contained in the coins. For some time to come both metals when in the form of coin, must run their change as commodities of trade without assistance.

Relative Mint values with regard to certain considerations being fixed between gold and silver the facts of the ultimate settlement of the particular function of money will determine themselves according to the laws it has been sought to illustrate.*

In such respects, then we have but to follow the example which has been set to us by the United States and by France We are forced to admit the necessity of a transition period of double legal tender, during which gold and silver must be permitted to compete on their own ments. The facts and arguments before stated, are sufficient to determine the ultimate success of the gold †

[·] Vale supra Chapter V on the double standard of value.

⁺ Vido swyro Chapter II on "The economy of Gold as the medium of currency as compared with Eller;" also Chapter IX, on "The demand for a gold currency as declared let the popular instinct of India."

The necessity of a transition period being admitted, we must infer CHAP that a token coinage could not be issued during such period.

The success of a token coinage is the practical evidence that one metal, gold, has been substituted successfully in currency and deposit for another metal, silver. The power to introduce a token coinage, and to cause it to be adopted generally, is a result of the completeness of the change, which has been effected by the operation of the superiority of gold over silver, for the performance of the functions of currency and deposit in a wealthy country. A token coinage is then the consequence of a perfected antecedent.

To apply a silver token coinage, before the change from silver to gold has been finally effected at large in currency and deposit, would therefore be to apply a result, in anticipation of the causes which may hereafter render a token coinage expedient, but as yet have not come into operation.

Let it further be carefully borne in mind, that a necessity of a token comage of silver for small transactions, is the sign that silver no longer exists in any quantity in a country. When the necessity of a token comage is felt, silver is no longer found in deposit to meet the demands of foreign trade, or to represent the reserve value kept in store by a community. The necessity of the token comage is the indication that the silver in a country does not more than suffice for the purposes of manufacture and jewellery, and that none is left for the discharge of large obligations

In India we know that the direct contiary is the result of the very measures we have taken of late years, to monopolise the functions of money in silver to the depreciation and expulsion of gold, however much our measures may have been corrected by the popular instinct Consequently, in India, the cause which necessitates a token coinage does not yet exist

There is, besides, another reason, which is strongly opposed to the introduction of a token comage, until it shall have been ascertained by the people to be necessary, because of the disappearance of silver from circulation and deposit, as was shown in the case of the United States in 1853.

The argument against a premature token coinage, and against a hasty forcing forward of a Bank-note circulation, is identical. The

AP people of the empire generally are not educated to the point of receiving, either a tokon coinage or Bank notes as representatives of value which intrinsically they do not possess

The disappearance of silver may ultimately force the people to appropriate the superior convenience and profit to themselves as afforded by a token coinage in the place of full weight silver rupees and full weight fractional parts of a rupee

Till the cause has taken place, viz., the disappearance of silver from circulation and deposit, we can well afford to wait

For in truth the primary use of a token coinage is to atone as a matter of convenience for the absence of silver. The secondary and equally important use of a token coinage is to fix the metallic currency, and to protect it from the chance of further fluctuation, when the substitution of gold for silver has been finally carried out.

I think therefore, we may assume that on the introduction of a gold currency, a period of double legal tender must be undergone, while the substitution of gold for silver is gradually taking place in the currency and deposits of India.

Secondly, so long as the double legal tender or period of transition lasts, a token comage would be inconsistent and indeed impossible in such a condition of things

Thirdly that so soon as in the course of years the substitution of gold for silver in currency and deposits has been effected, it will be possible and in all probability product, to introduce a token coinage.

With respect to the latter conclusion, we must not hope that the rapidity of the process of substitution which was perceived in the United States, will be seen in India.

It is not improbable that what four years could do in the former, may require the period of a generation in the latter. This however, is but another argument for doing nothing hastily and against arguing any measure which might attempt to force the natural growth of opinion and appreciation.

CHAPTER XL

CHAP

Conclusion

The Denomination of the Rupee to be retained as a matter of course—How Sovereigns may be used—The equivalent of Gold and Silver declared in Act XVII of 1835 may be maintained—Legal tender of Gold in addition to that of Silver should be created on such a basis.

It will, I presume, be conceded, that whatever we may do in the matter of introducing a gold currency, we must retain the denomination of value in which all obligations have hitherto been contracted

As the frame has been preserved in France, and the dollar in the United States, the gold value of both alike having been gradually substituted in currency and deposit for the old silver value, so must the rupee continue to assert its ancient position in India, whether its value be represented in gold or silver.

It is expedient that gold coins, struck for the purpose of domestic evenange, should be multiples of the jupee as laid down in the Act of 1835.

It is not to be expected that any foreign coin, which has been called into existence with regard to another basis of calculation, can be an exact multiple of the rupee

In an accidental state of the money market, amidst the fluctuations of exchange, circumstances might occur for a single day, to render the foreign gold coin such an exact multiple for a moment in the market prices.

The price would be abnormal

To adopt the foreign gold eoin into a native circulation on such terms, to declare that it shall be the permanent multiple of the silver native coin, because on one particular day it happened accidentally to be so, would be to give permanence to an abnormal circumstance, and in all probability to attempt to fix a scale of relative values of the metals, which is not borne out by the facts of general domestic exchange.

Thus the idea has been entertained, that it would be very convenient to use the introduction of a gold currency into India in such a manner, to establish the sovereign in India as it is in England and Australia, to seize on a particular time when amid the fluctuations of exchange, the sovereign should represent the exact value of 10 rupees,

.p and then from henceforth to declare (such value having been momentarily obtained), it should so remain permanently, it being received as legal tender in payment of debts and taxes

But it is clear that if the sovereign is generally worth more or less than 10 rupees, the due estimation will be taken of the fact in foreign markets irrespectively of the considerations which might influence an Indian Government in making such a regulation. If the sovereign was worth more than 10 rupees according to average it would be exchanged to India for a greater value than that of the 10 rupees, and vice verse. In the former case, so far as the function of money is concerned, silver would be paid for taxes and debts, and the sovereign would be retained in deposit or disposed of, as being more valuable than the legal tender the sovereign represents.

In the opposite case if the sovereign in foreign markets was of less worth and could be imported for less than 10 rupees all taxes would be paid in it, and silver would be sold at a profit, Government being the loser

There seems to be only one mode of using the sovereign in India in circulation, that being to permit it to be offered in payment, according to the value it bears relatively to the Indian gold coin legally established as the multiple of the rupee, one perc ent. being allowed for Mint charges,* to put it on the same footing as gold coined in India.

Thus the British Indian gold mohar being held by the Act of 1835 to be equal to 15 rupees, gives a value of 53 24d to the ounce of silver + 04d, which may be considered the difference of Mint charge between gold and alver

This being so if the value of the sovereign† be calculated on a similar basis, its worth must be taken Rs. 10-4 4, its intrinsic value at

The Bombay Mint charges are as follows -

One per cent on gold, two per cent on after; this is called Selgnorage. There is besides a premelting charge of one per mills on after and 23 per mills on g.d.l. Colornel Balard remarks that "the difference of charge should be mai tained. Gald is cheaper to colo then after and therefore entitled to the advantage."

[†] In estimating the relative value of sorcereigns and Indian coins for the purpose of circulating the former it is clearly indispensable to barthen sorcerigns with the Musi charge to which the domestic coinage is accessarily exposed.

5s. 24d. being Rs 10-6-1, the difference between the two sums being CHAP. that which would represent the Mint charges, if the sovereigns were coined in India instead of being imported.

Consequently, if it be determined to effect a large coinage of British 15-rupee gold pieces or gold moliurs, and to accept them as legal tender for such value, there would seem to be no objection to permit the sovereign to be also legally tendered at a uniform rate of about Rs. 10 4-0.1

A convenience to the local Mints might be afforded by such a rule, and an important advantage would be gained for the trading community generally, by the fact that gold specie coming from England and Australia, would thus be enabled to take its place in circulation immediately after it was landed.

It is well known that the public is in time of money pressure greatly incommoded by the want of coined money, when the vaults of the Mints are ciammed with bullion, which it cannot work off into coin under two or three months. This happened in November of 1863, and is again the case now in March of 1861.

Surprise has sometimes been expressed at the fact, that even while gold was receivable at the Treasuries in payment of taxes, so little was ever offered by the people in former times

The reason of this may perhaps be stated to be the same as that which drove gold away from Francet, between the years 1801 and 1850.

The value of gold was really considerably greater in the Indian market than it was rated by law in the Act of 1835

Thus Colonel Ballaid, the Master of the Bombay Mint, estimates that the value given to silver by that Act, after deducting the Mint charges on coining, is 5s $2\frac{1}{4}d$. the ounce.

^{*} Intrinsic value of the sovereign in silver rupees, when silver is worth-

				Rı	pees		Sov	ereig	gn
				8	ď.		R_{5}	A	P
48	11d	per ounce	3==	ı	9 92	===	10	15	2 18
5s	0d	do	===	1	10 29	==	10	12	3 29
5#	1d	do.	=	1	10 66	==	10	9	5 58
5s	$1\frac{1}{2}d$	do	=	1	10 843	===	10	8	1.07
58	2d	do	==	1	11 03	=	10	6	8 86
5s	$2\frac{1}{4}d$	do	=	1	11.12	===	10	6	1 07

[†] Vide Table A in Appendix, which shows that this rate gives approximately the price which has ruled for several years.

I See Chapter V

But as we have seen, Mr Wilson estimated the value of silver, and doubtless with correctness to have been about 4s 11d prior to the gold discoveries. At this price the sovereign is worth very nearly 11 rupees, the British gold mohur struck to represent 15 rupees, being on such terms worth more than 16 rupees. Consequently the Indian Act of 1835 declared silver to be worth 3½d per cz. more than it really was, as interpreted in the price of gold by the public.

This being so, it is evident that, so far as the payment of taxes was concerned, it was absolutely contrary to the interest of the tax payer to pay in gold, and he accordingly did not do so Gold remained n commodity of trade in the British Provinces and was very rarely offered at the Mints for coinage. The Native Mints, on the other hand, have, it is said, continued to be comparatively active in turning off gold coins, which have always been in high estimation, as an irregular vehicle of value among the subjects of British India.

Circumstances have however combined to establish the price of silver at about 5: 2d. At this present date it is indeed higher, it having reached 6: 21d or closely to the price indicated by the Act of 1835, with respect to the value of the British gold mobile of 15 rupees after allowing for Mint charges

The causes which have been alluded to, viz., the domonetization of gold in India under the orders of the British Government, and the importation of gold which has taken place netwithstanding that dome netization combined with the favorable balance of trade, seem thus to have generally corrected the original error of official calculation with respect to the relative values of gold and silver just as the discovery of the gold mines and the imprudent conduct of other Governments, had corrected a similar official error of calculation in France.

That is to say, the rupce has come to have nearly the value in gold, which was formerly but erroncously nttributed to it

This being so, we are perhaps relieved from a very difficult and responsible duty. We are saved from entering into a calculation, with an intention of readjusting the legal equivalents of gold and silver in India.

It appears that we may simply take the basis* laid down in the Act of 1835 as we find it, and leave it entirely undisturbed, so far as this very important part of the question of introducing the legal tander as concerned.

The seems to be accepted in the pro isoto 3rd para. A Class IX of the Act AIX of 1801 for i sue of Hank mace in India.

It may perhaps be unged, that the price of silver is now excep- CHAP tionally high, and that it cannot last, and therefore that it will be found still to exclude gold as it was excluded formerly by the same cause.

There would certainly be some force in the objection, the difficulty being not so much the decreased value of gold, as feared by Mr Wilson, but the value it maintains in India, on account of the estimation in which it is held by the people. The price of the sovereign,* is at this date of writing Rs. 10-6-0 in the Bombay market, which indicates $5s. 2\frac{1}{4}d$. the ounce of silver very closely.

The cucumstance of price as just stated is not altogether undesirable, as it leaves a certain slight margin for the cheapening of gold which may possibly take place through the ultimate opening of direct trade with Australia Such trade, as observed in the Memorial of the Bombay Chamber of Commerce, will cause gold to come straight to India, instead of making the round by Europe, either there to be exchanged for silver, the latter being bought for exportation to the East, or gold itself coming to the East with the builthen of all the charges consequent on a voyage round the entire globe.

I think, therefore, that we may consider that the values about declared in the practice of recent years will be maintained, and that the superior convenience of a gold currency over a silver one will be sufficient to overcome any small difference which may remain.

If after the lapse of a few years, practice should declare that the relative values of gold and silver asserted in Act XVII of 1835, remains nevertheless more favorable to silver than may be sanctioned by average market prices, gold being thereby forced out of circulation, it would then be for the administration of the day seriously to entertain the question of readjusting the legal equivalents.

In the mean time, the values† asserted by the Act, being removed but slightly from the actual selling prices of the two metals at the

^{*}Owing to certain reasons connected with exchanges, into which it is not now necessary to enter, this price is hable to oscillate, being now greater and now less. The tendency of gold of late years has been to rise in value as compared with the prices of 1857-58 Sec Appendices A, D, E, and F

[†] Lieuterant Colonel Ballard, of the Bombay Mint, has favored me with the following note -

[&]quot;By the Act of 1835, the value given to silver, taking the intrinsic value of these coins (those stated in the Act) is about 5s 23d Allowing one per cent for the extra cost of coining silver, it would give about 5s. 21d, so at the present rate it would not be a bad basis"

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TO THE RIGHT HON'BLE SIE JOHN LAWRENCE, G O E., &c., Viceroy and Governor General of India in Council

The Respectful Memorial of the Madras Chamber of Commerce

SHEWETH—That the greatly extended and extending trade of India renders it most desirable the currency should be enlarged to meet the growing wants of the country

That a paper currency, from its economy and facility of transmission, is suitable to a country advancing in civilization, in which the operations of trade are yearly increasing, and that in your Memorialists' opinion India is prepared for such a currency on a widely extended scale

That the existing paper system has not realized the benefits which were anticipated on its introduction owing, as far as this Presidency is concerned to the Presidency district being the only circle of issue, and no effectual measures having been taken to facilitate the convertibility of notes at the Mofassil Treasuries. The circulation has in consequence been of a very restricted character and of very limited advantage

That a well regulated paper currency in the convertibility of which the people felt full confidence, would be generally acceptable to all clauses of incalculable advantage in the transactions of commerce, and a source of profit to the State.

That whatever measures may be adopted it is submitted, the end to be kept in view should be the ultimate circulation of notes as a legal tender throughout each Presidency, by which alone can the full benefits of a paper issue be obtained there are doubtless difficulties in the way of the present adoption of such a general measure. Four Memorialists however, are of opinion that the immediate creation of circles of issue throughout the country should take place and the Mofussil Treasury Balances be made, as far as possible available for the conversion of notes.

That the acceptance of notes in payment of Government dues everywhere should be nt once authorized

That the comparatively low wages of labor in India and consequent multitude of small payments render it desirable the lowest deno mination of note should be reduced to Ra 5. It is believed such notes would speedily come into very general use and extensive circulation

That while the Chamber is of opinion that the extension of the paper issue is of primary importance in the consideration of the question of an improved currency system, it is also of opinion that the introduction of gold as a circulating medium would be of material advantage.

The greater convenience of gold as a coinage compared with silver from its portability, and facility of transmission from place to place, is obvious, and although, from the comparatively small means of the mass of the people of this country, silver must continue to form an important part of the circulation, it is believed a gold currency if introduced would rapidly come into general use. A convenient sub-division of whatever gold coin might be adopted into halves and quarters for the purposes of small payments would be necessary.

The fact that at the present time a large quantity of gold yearly finds its way to India leads to the belief that a comage of that metal would be generally acceptable.

That the imports of silver into India have of late years been constantly increasing while grave doubts have been entertained whether the production of that metal corresponds to the increasing demand; on the other hand there is reason to believe the production of gold will continue to be sufficient for the wants of the world, and it is therefore desirable India should not be excluded from the use of it as a currency.

That while your Memorialists believe the financial embarrassments through which India has been passing have arisen from a sudden and unlooked for expansion of trade, and could not have been averted or prevented by any currency system, they are nevertheless of opinion that the severity of the crisis would have been to some extent mitigated, and its duration shortened, had gold been in use.

Your Memorialists having thus briefly and generally stated their reasons for believing the present currency might with benefit to the country be amended, respectfully, but urgently, solicit your Excellency in Council to give this important subject your earnest consideration, with a view to the adoption of measures for the early enlargement of the paper issue and the introduction of a gold currency.

By order of the Madras Chamber of Commerce,

A J. BYARD,

146 MEMORIAL OF THE HADRAS CHANBER OF COMMERCE

From E H Lubhington, Esq., Secy to Gort of India, Fint Dept., to the Chamber of Commerce, Madras -No 474, dated 28th May 1964

I am directed to acknowledge the receipt of your Memorial recommending the extension of the Government note currency, and the introduction of a gold currency, and in reply to state that the subject is under the consideration of the Government.

MINUTE BY THE HON'BLE SIR C E. TREVELYAN, Simla, 20th June 1864.

The Chambers of Commerce of Calcutta, Madras, and Bombay
Chambers of Commerce and have memorialised the Government of India for a gold currency.

The application of the Chamber of Commerce of Calcutta is for the appointment of a Committee to inquire into the best mode of introducing gold as an auxiliary currency. They are "strongly in favor of the introduction of gold as an auxiliary currency, and as a tentative measure which they believe will gradually, but surely, lead to the adoption of gold as the general metallic emisency of this country, with silver as the auxiliary; but they are opposed to any sudden change being attempted, fearing that any such attempt would prove unsuccessful, and be likely to cause great decangement in the commerce and finance of India, and probably also in the money markets of Europe, if a large quantity of gold were suddenly required to earry out such a change."

The Madras Memorial prays for the extension of the Government paper currency, and the introduction of a gold currency. The Chamber observe that "the comparatively low wages of labor in India, and consequent multitude of small payments, render it desirable that the lowest denomination of note should be reduced to five rupees," and that "a convenient sub-division of whatever gold coin might be adopted into halves and quarters, for the purpose of small payments, would be necessary"

The Memorial of the Bombay Chamber contains an able summary of the reasons for introducing a gold currency, and concludes with earnestly intreating the Government "to take this important question at once into serious consideration and to effect an amendment which is so loudly called for, by introducing a well-regulated gold currency into India"

There is also a Memorial from the Bombay Association, which represents the Native mercantile community. This sets forth that, from time immemorial, India possessed an extensive gold currency, that the

stringent regulations of the British Government have virtually extin guished this currency, but have by no means extinguished its popularity that rudo attempts are made by some of the Natives of India to remedy the defects of the present inconvenient silver currency by circulating gold bars anthenticated by the stamp of Bombay Banks and, after a general statement of reasons, the Memorialists pray that the Govern ment "will take this question into immediate consideration and restore n gold currency, which the ultered carcumstances of the world recom mend and which your Memorialists believe would be most popularly received in India, both from nucient associations and present convenience #

The Native merchants and bankers of Calcutta had previously, in May 1859, memorialised the Government of India for a gold currency, stating that the Natives of India preferred gold to silver on account of its portability, and the facility which it affords for holding large sums in security The feeling of the Native merchants and bankers of Upper India may be seen from the papers in the Appendix No. 1 page 185

Appendix

The Government of Bombay

Minutes have also been recorded by the members of the Government of Bombay

The Governor proposes that we should in the first place, act on the provise in the last clause of the 9th Section of Act XIX of 1861, which allows gold hulbon or coin to be held to the extent of one fourth of that on which notes are issued and he suggests that the next step will probably be to permit the Government revenue above 10 rupees to be paid in sovereigns. He adds that 'it will probably be necessary that we should pass through the inconvenient and anomalous stage of a double or alternative standard

Mr Frero agrees with the Governor but Mr Inversity thinks the measure proposed by His Excellency totally inadequate for the introduc tion into India of n well regulated gold currency, and supports the views contained in a letter from Mr Walter Cassels to the Governor, of the 1st of January 1864 The practical proposals contained in this ablo lettor are as follows -

" Placed as India in a manner is between gold producing countries and Entope, the first consideration must be to fix the Indian Mint value of gold, so as to preserve a fair mutual equilibrium of value between our selves Australia and England This value, therefore should not be so high as to render it profitable for Australia to send gold to be coined at our Mints, nor should it be so low as to admit of the advantageous export of our gold coin as bullion to Europe

"It is likewise highly important that, as much as possible, a gold comage should, for the present, be built upon the existing silver cuirency, so as to introduce the change with as much regard to private interests as may be. I therefore venture to suggest the issue of gold coins similar to the sovereign and half-sovereign, and respectively representing ten and five rupces, with subsidiary silver token coins, of limited tender, rated seven to ten per cent above their real value existing silver coin might, for the present, be allowed to continue legal tender to the extent even of five hundred supces, and this limit might hereafter be reduced according to circumstances The new gold coms should be of an intrinsic value, which should place them on a safe basis in relation to the old rupees, and they could, by subsequent alteration of the limit of tender, be protected, if necessary, from the effect of any unforescen fluctuation in value Possessing, as they do, a well known intriusic worth, the old rupees would no doubt, for the present, be freely received to a much larger extent, but not being replenished by fiesh issues, being retried as rapidly as they came into the Government Treasures and replaced by new token pieces, I have no doubt that in few years they would disappear from engulation, and that the change of standard and currency would thus be effected, without any sacrifice disproportionate-to the benefit secured."

Sir William Mansfield, the Commander-in-Chief of the Bombay Aimy, has recorded a remarkable Minute, in which the subject is handled in a masterly manner. It concludes with the following recommendations —

"I would propose, therefore, that the legal tender of gold should be enacted on the basis of equivalents submitted by Act XVII of 1835

"That the gold legal tender should not, for the present, be in substitution of the silver tender, but in aid of it

"That in accordance with the above, sovereigns should be allowed to run, and to be legal tender at their relative value, including seignorage charge on the basis of the equivalent established by the Act XVII of 1835, viz, at Rs 10-4-0 That the issue of notes should take place in exchange for gold and silver bullion alike, without any administrative distinction between the two metals

"That the Mints in India should be directed to coin gold in the coins described in Act XVII of 1835 in large quantities, and to invite the public to offer it for the purpose."

The most striking feature of this movement is its universality.

The nature of the late crisis.

There are differences of opinion as to the mode in which the object is to be attained, but all agree that there ought to be a gold currency. The proximate cause of this unanimity is the painful impression of the crisis through which we have just passed and the desire to never its recurrence. The first thing to be considered, therefore, is the nature of that crisis, and how far the means of prevention or mitigation are in our power.

The state of things at Calcutta, Madras, and Bombay, between November 1863 and March 1864 has been compared with that which prevailed in London in 1847 and 1857, but it had little in common with it. In India there had been no drain of specie owing to an unfavorable state of the foreign exchanges neither had there been extensive over trading. There had been much bold trading in cotton and piece goods, but the markot had been continually rising and large fortunes had been made. There had also been much netwo enterprise in Joint Stock Companies for the cultivation of tea and for other industrial undertakings, but the public confidence in their profitable character remained anishaken Individual shareholders might find it difficult to pay up their calls but this was the consequence, not the cause of the convulsion.

The root of this great evil lay much deeper. From time immemorial Europe had been unable to provide merchandize which India was willing to necept in return for the valuable products she had to offer, and the balance had to be paid in the precious metals. This was arrested for a time by the large supplies of cotton cloth sent to India after the opening of the trade in IS14; but the normal state of things soon returned and since IS17-49, the importation of specie has been continually increasing

The development given to the expert trade of India by the Russian War in 1851, and by the American War which began in 1861 greatly augmented the balance which had to be paid in specie. It was not merely that vast additional quantities of fibres, oil seeds, and cotton, had to be paid for. The increased demand upon the resources of India could not be met at former prices. A large perpertion of the cultivated area of India was diverted from rusing food to raising expertable produce. A large proportion of the labor of India was diverted from the

immediate work of production to the construction of railroads, and roads to convey this exportable produce to the coast. In consequence of this, the price of labor and of every article of domestic and foreign consumption went up together. Cotton, which was the subject of keenest competition, rose in the rural districts to three

Appendix No 2, page 202 or four times its former price. The result will be seen in the remarkable Return of imports and exports of merchandize and specie in the Appendix

The nature of the crisis in the three great Indian ports in 1863-64 will now be better understood. It was not in its origin or true nature, a monetary crisis. If the trade between Europe and India had been conducted by an equal interchange of merchandize, it could not have happened. But, while the exports of merchandize in 1863-64 amounted to £67,459,795,* the imports were only £30,384,828, and the balance, amounting to the great sum of £37,074,967, had, for the most part, to be paid in specie. The exigency, therefore, alose from the peculiar conditions of the foreign trade of India. The people of India were only beginning to appreciate the articles of comfort and luxury which England was able to supply, and they were totally unprepared to accept as equivalents the

Raw Cotton exported from Calcutta, Madras, and Bombay, in twelve months, from the beginning of May to the end of April, in 1862-63 and 1863 64

			1862	63	1863	64
			Quantity	Value	Quantity	Value
			Cwt.	£	Cwt	£
Calcutta	•	••	408,779	1,567,690	574,981	3,080,590
Madras		••	556,760	2,381,288	647,240	4,471,811
Bombay	•		3,257,485	14 834,565	3,616,782	27,911,590
Tota	al .		4,223,024	18,783,543	4,839,603	35,463,911

^{*} The increase in the value of the merchandize exported from India in 1863 64 is accounted for to the extent of £16,680,368 by the increased value of the cotton exported. The Return for the year 1863-64, appended to my Financial Statement, has now been completed as underneath. The rest of the difference will, I think, prove to have been chiefly due to the general increase in the price of Indian produce caused by the conversion of land to cotton cultivation, and by the extensive system of works in progress, rather than to an increase in the quantity exported.

manufactures she had to offer for the sudden morease of produce demanded from them. The only article which was in universal demand among them was specie, and, as the chief employment of specie is in the manufacture of money, and gold had been excluded by the Regulations of the Government of India from this employment, silver had to bear the principal strain. In other words, it was emphatically a mercantile and not a monetary crisis, and silver and gold must be regarded in reference to it as ordinary articles of the import trade.

The money already circulating in the country was sufficient for carrying on its internal exchanges. Judging from the prevailing high prices, it may be questioned whether it was not more than enough. The means of meeting the induitional demand caused by the peculiar state of the foreign trade which has been described, were however, entirely dofficient. There is nothing in India like the Bank of England, which keeps a reserve of cash for the whole country. The produce exported to England is paid for hy remittances from England, effected partly hy hills upon the Indian treasuries purchased at home, partly by bills upon England or China sold in India, and partly hy consignments of specio from Europe or Australia. Every year, at the commencement of the cold weather, a call is made for specie to be sent into the interior to pay for produce to be sent down to the ports, and during the interval money is comparatively abundant.

Towards the close of 1862 this nanual craving for specio was greater than usual but in November 1863 a demand set in, which was unprecedented for intensity and duration. Although the Banks of Bengal Madras, and Bomba, were reinforced by large sums from the cash balances of which they had the use under their agreements with the Govern ment their available funds were speedily exhausted. Firms possessed of large resources, provided time was allowed to realise them must have declared themselves insolvent if they had been pressed to liquidate the claims upon them Fabulous rates were paid in the bazar for ready monoy Government Securities which had been at par, suddenly went down to 83 not because there was any want of confidence in the Gov ernment, but because everybody wanted to sell and nobody had money to buy With the relaxation of the pressure Government Paper returned nearly to par The only security which completely held its ground was the Government note currency It must be also recorded to the honor of these great mercantile communities European and Native that throughout this period of extreme pressure, when the fall of any one

house might have involved wide-spicad rain, the greatest mutual forbearance was exercised. This may have been in part owing to a just perception that the responsible persons in this country were acting on behalf of principals in England, and that every claim would be fully satisfied as soon as the requisite remittances could be made.

The position then is—

The late erisis was not caused by any deficiency of the circulating medium of India. If that medium had been much larger, for instance, if ten of the fifteen millions sterling of rupees deposited in the treasures had been put into circulation, and the paper currency had been doubled, the cusis would still have taken place. The circulation was rather redundant than deficient according to the existing liabits and wants of the people. This is proved—lst, by the abundance of money at all the principal marts on the coast and in the interior, during the intervals between the annual exceptional demand arising from the peculiar state of the trade with Europe, and 2nd, by the universal high prices latter are a certain indication of a full state of the circulation, because, whatever may be the causes which create a tendency to a use of price, they would be held in check if the circulating medium were deficient The average price of bar gold, at Calcutta, per tolah of 22 carats fine. was Rs 14-13-0 in 1853, and Rs 14-13-4 in 1854 It was Rs. 14-13-0 in 1862, and Rs 14-15-4 in 1863 At Bombay, the average price of gold bars (98 touch) was Rs 15-14-3 in 1858, and Rs. 16-0-5 in 1863 It would seem from this that there has been a slight fall in the value of silver, measured in gold, in India. But the true comparison is that of gold and silver, taken together, with all other articles, and judging by this test, it must be admitted that after making full allowance for other causes of the prevailing high prices, the precious metals are abundant and cheap in India.

The late crisis was caused by the unwillingness of the people of India to accept ordinary mercantile equivalents for the large additional value exported last year, and by the Regulations of the Government of India, which give an advantage to silver, as an article of merchandize, in comparison with gold. The necessity for this great importation of silver was quite irrespective of the deficiency or redundancy of the Indian curiency. It was occasioned merely by the fact that silver was the only article which the people of India would take in any quantity in exchange for their produce. Vast supplies of silver had been poured into

India, under the operation of this exceptional and extrinue cause But, even if these supplies had been yet more uhundant, fresh importations must still have taken place because no other equivalent would be accepted for the Indian produce which the rest of the world desired to have.

If this is a true diagnosis of the malady, there can be no doubt about the remedy India, and through India. The true remedy the countries trading with her, are suffering from the want of acceptable equivalents for the exportable produce which she furnishes in such richness and plenty. The strain upon silver will be relieved by overy addition that can be made to the other articles in demand in India Piece goods and yarn have become a great staple of the import trade. The increase in the importation of these has been arrested by the scarcity of cotton at Manchester and the rise in the price of food in India hat, as these obstructions diminish, the trade is likely to be greatly developed. The native hand loom system is collapsing in every part of India and, although English weaving and spinning establishments in Iudia are, to a certain extent taking up the coarser qualities of the native article, which must always be made in this country, the balance in favor of Mauchester is overwhelming Me.al wares of English manufacture are getting possession of the market of India and, in the form of utensils for cooking, eating, and drinking, they are passing from luxuries into necessaries, as ten coffee, and tobacco have done in England Even Cheshire salt is supplied at prices which is obtaining for it a wide field of consumption in Northern India. But as the use of the precious metals in India is already great and is rapidly increasing and as India has no mines of her own, gold and silver must always be the great reserve of the import trade. To husband this reserve

Both the precious metals should be equally available as articles of import.

of India or any other country, ought to be our chief object The first condition for the attainment of this end is, that both the precions metals should be equally available as articles of import

Before the discovery of the gold fields of California, the annual production of silver was larger than that of gold Since that the case has been reversed. The annual production of silver is now supposed to be about teu millions sterling and that of gold about twenty five millions or two and a half times as much

therefore and to make it answer the purpose of an article of import with as little disturbance as possible of the commercial and monetary economy

England has a Southern as well as an Eastern Empire, and the great staple of that Southern Empire is gold Owing to the exclusion of gold from the Indian currency, the trade with Australia is chiefly carried on in this way -The gold of Australia is sent to England, where it is employed in buying silver, and the silver is sent to India burdened with the charges of the double voyage and with the additional interest accrued during the prolonged period occupied by it The cotton and other exports of India are charged with the extra expense arising from this circuitous mode of payment Even a worse result is, that the trade cannot be carried on in a regular manner The gold remains in the Bank of England until the Indian demand sets in, and then it is suddenly withdrawn to sweep the Continent of silver for transmission to India In order to protect themselves, the Banks of England and France raise their rates of discount, and, by their so doing, and by the violent oscillations in the foreign exchanges, every description of business is deranged.

If, by an alteration in the regulations of the Indian Mints, gold were placed on the same footing as silver, the course of trade would be as follows -The pastoral and mining population of Australia is supplied with clothes and other necessaries of civilised life from England The proceeds of this trade would be invested in Australian gold and copper, and these would be sent direct to India to pay for the cotton and other produce exported from India to England. The shipping would benefit as much as the mercantile interest. We should hear less of vessels coming out to India in ballast for the sake of the homeward Some ships would make the triangular voyage, others would return to Australia with cargoes of sugar, rice, and other colonial A regulated process, the successive steps of which might be certainly calculated upon, would be substituted for the present fitful and desultory trade, and all parties concerned would profit by the change

Hitherto the vacuum caused by the deficiency of imports has, for Impending deficiency of the the most part, been filled with silver Alsupply of silver though this has occasioned much loss and inconvenience to India and Europe, there is a woise evil behind. The annual production of the silver mines is estimated at ten millions steiling. In the last nine years the silver imported into India alone,

after deducting re-exports, has amounted to 89 033,792 * or within half a million of the entire estimated production of the whole world for the same period. There were two great reserves of allver, the currencies of the United States and France. Both these reserves have been ex hausted.† The circulation of the United States has been avowedly placed upon the basis of a gold standard with a subsidiary silver token currency In France, although the law remains unchanged, gold has been comed in vast quantities, and the only silver coms remaining in circulation are those which by wear and tear have become depreciated. The serious character of these facts will be apparent whon it is remem bered that the balance of trade in favor of India, and consequently her demand for silver, has been greatly increased by the revolution which has taken place in the cotton trade. Nobody can say in what proportions the supply of Manchester with cotton will altimately be divided among different parts of the world hat it is certain that India will have a large share It must also be remembered that other countries, besides India stand in need of silver Independently of the use made of it for domestie and artistic purposes in almost every part of the world, that motal still forms the currency of the greater part of Enrope. It is also the standard of value in China, and performs the same service of adjusting the balance of trade for that great country as it does for India. The information at command here regarding China is very imperfect but it is well known that, since the opening of the trade the exports of ten and sill have greatly increased without any corresponding demand having arisen for any article of foreign produce or manufacture that cotton has been added to the experts of Chiua and that notwithstanding the help given by the opium trade between India and China in the adjustment of the exchanges, a large annual balance has to be paid in silver population of China is twice that of India, and her vast productive powers are oven less developed than those of India.

[•] The figures, for the first eight years, are taken from the Parliamentary Return dated the 16th March 1861 of the "rathe of bullion, gold and allrer imported into and expected from each Presidency of India in each year from 1800 to the latest for which it can be given " and the figures of the last year are from the Returns in Appendix No. 2 page 202 obtained from the different Presidencies.

[†] European and American coin have been re-coined in the three Indian Mint during the last ten years, from 1833 to 1873, to the value of £70 172 050; bettles an unlessed amount of facility alter coin which have been converted into har if or pervised to it. I be the tendend to the Indian Minte.

Even if silver were forthcoming in sufficient quantity, it could not be coined fast enough. Whatever may be the form in which silver reaches India, it must be converted into current rupees. No

description of credit based upon the existence of a certain amount of bullion or foreign corn suffices, because rupees are wanted to be sent into the interior to purchase produce. Although the power of the Bombay Mint has been much increased, it is still unable to cope with the large amounts of silver poured in by each packet. In fact, no Indian Mint could coin silver as fast as it is wanted, i.e., as fast as it arrives. The quantity of bullion remaining uncoined in the three Indian Mints, during each month of 1862-63 and 1863-64, will be seen in the Appen-

The average monthly amount remain- dix Appendix No 3, page 208 ing uncoined was £2,777,109, but this gives no idea of the real loss and inconvenience At the season when current coin is most wanted for making purchases in the interior, the arrear of uncoined bullion is greatest. The average of the five months from December 1862 to April 1863 was £4,770,467, and even after the powers of the Bombay Mint, upon which the chief stress falls, had been greatly increased, the average arrear of the same months in 1863-64 was £3,035,092, notwithstanding that the Bombay Mint was worked by relays, day and night, without cessation, at serious risk to the machinery and great exhaustion of the persons employed. After all the pains and cost which had been bestowed upon providing these large sums and sending them to India, they were unavailable for usc, because silver is so bulky compared with its value, as to be incapable of being converted into coin with sufficient speed to meet the wants of India Great exertions were made at the London Mint to meet the increased demand for coin consequent on the gold discoveries, but if the metal to be coined had been silver instead of gold, the Officers of the Mint would have been utterly unable to cope with the exigency

It is impossible to predicate the consequences of a real deficiency in Probable consequences of a the supply of silver for adjusting the balance deficiency of silver of the Indian tiade. So much is certain, that the commercial crisis through which we have just passed would be greatly aggravated. The facts to which I have adverted show that we are not dealing with a speculative or contingent danger. The usual annual demand for the means of paying for produce from the interior will recur next November, and if, as there is reason to expect, the value

of the produce will be increased, will be diminished, owing to the exh Europe, the disturbance of the econor in 1864 65 will exceed that of 18 1863-64 surpassed that of 1862 63 impending, and, if there be a remd delay

I have already and that the mos Gold should be restored to its on the so place in the currency of import restoring gold to its place in the curre

Although gold has been demon it is held by the people of India in the as it is by the people of every other advantages may be summed up in the small compass. This makes it portable facilitates its coinage and diminishes interests are vitally concerned in the di we must not measure this question ment. In silver £100,000 weighs 1 In silver sums of money have to be meces in gold, by sovereigns or tw to conceive the aggregate less and stances are applied to the greatly of transactions compared with forms remittances which the present state ment of India requires the addition The most serious inconvenience of all omnage does not allow of money bein Twenty sovereigns may be tal 1160 Rapees would be an intolerable burd the obstacles which this state of the n country like India, where it is par intercoure between different classes convenient medium of exchange is en

In the progress of improvement steps, from the rude instruments of e use of silver and gold money and, representative of gold India had arrived at the gold period. Without going back to the history of former times, gold Pagodas and Fanams formed the bulk of the circulation of the south of India within the memory of persons still living, and, in the north of India, although the gold moliur was overvalued with reference to silver, its superior convenience obtained for it a considerable circulation. The trade of India with the countries beyond its North-Western frontier has always been carried on by means of gold comes of various kinds. Much interesting information relating to this part of the subject will be found in Mi.

Appendix No 1, page 189 McLcod's and Mi. Melvill's papers in the Appendix

The action of the Government upon this state of things was, first to exclude gold from the circulation, and then to introduce a paper currency based upon silver. The result is that India has attained the last step per saltum, with the omission of the one which ought to have preceded it. Retrogression has been followed by irregular advance.

The paper currency has been attended with a fair measure of success. The note enculation already amounts to upwards of six millions sterling, of which rather more than three millions has been invested in Government Securities. The time was come for furnishing this great accommodation to the Europeans and to the Native mercantile classes in towns, and, as the body of the people become educated to the use of paper money, it will gradually answer the objects intended by it. The currency circles have been extended to the rest of India, and a more popular character ought now to be given to the system by issuing five-rupce notes, as was originally intended.

But the people of India have never acquiesced in the exclusion of gold from the currency, nor have they accepted paper as a substitute for it. The plan of locking up reserves of the precious metals in strong rooms and representing them by convertible paper, belongs to an advanced stage of civilization. The great majority of the people of India must have intrinsic value in their hands before they are convinced that payment has been made to them. This habit is founded upon the experience of ages. Promises to pay are rendered of no effect by bad faith or revolution, bonds and notes are destroyed by damp or eaten by insects, but gold and silver survive every change and re-appear to be enjoyed in better times. As between gold and silver, the preference is decidedly in favor of gold, which, having large value in small bulk, offers most of the advantages of a paper currency together with the security derived

ded allter

m intrinsic value. Since the improvement of the circumstances of people arising from the great increase in the demand for their export e produce, there has been a corresponding increase on their part in the nand for gold. It will be seen from the Returns in the Appendix furnished from the three Indian Presidencies ppendix No. 2, page 202 and British Burmah that after deducting exports, gold to the value of £24 949 582 has been imported into he since the 1st May 1860 besides what was brought by land across the rth West frontier, and besides the large aggregate amount ohiefly in creigns brought back by the laborers who annually take service in Coffee Plantations in Coylon, and hy the emigrants returned from Mauritius and that the importations have been according to n tinually ascending scale. In 1860 61 the value of the gold introduced) India by sea was £4,242 441 in 1861-62 it was £5,200 432 in 2-63 £6,878,130 and in 1863 64, £8,819,765 * The explanation this is that the people invest their new wealth in what they like best. some favored cotton districts, gold bangles have become almost as tmon as silver bangles were before. Although gold is not prailable as gal tender in payment of dehts and taxes in the British dominions indus, the people in some parts of India have endeavoured to remedy defects of the present inconvenient silver curroncy by circulating I have nother treated by the stamp of Bombay Banks. This rude at ipt to organize an ingot currency in the face of every disconragement ves the determination of the people to have gold, and shows that the remment would be cordully seconded by them in any attempt to in luce a gold currency on a sound footing. They would then have at they most desire, -absolute intrinsic value in a condensed form henticated by the impress of the State, and receivable by law in may at of every obligation.

A still more striking instance is that gold coin is in such request, that I gold modurs nearly of standard value are habitually made by gers, chiefly to secure the premium at which they sell. The details of four such cases will be found in the Appendix.

Appendix No. 4, page 213.

One of these establishments, at Jugadree

The figures for the first three years have been taken from the Parliamentary Return for the last year from the Return in Appendix No. 2, page *02. It will be seen from the mentioned Return, that, while after was re-expected in 1863-64, in the propertion of it 1 to 4 of the imports, gold was re-expected only in the proportion of about 1 to 23 or can be no doubt that gold has abready released for circulation a large amount of

a flourishing mart in the Umballa Division, was on the scale of a Mint, and the gold mohurs manufactured there have an extensive circulation in the protected Seikh and Hill States and elsewhere.

Many other proofs might be adduced of the popularity of a gold comage in India The Native State of Jeypore has long enjoyed a 1cputation for the purity of its coms, and Jeypore gold mohurs, which were formerly seldom seen, have of late years obtained an extensive en-In the Punjab the use of gold as a medium of exchange has greatly increased of late years. In the Seikh time it was chiefly procuied from Russia through Cabul, but, to use Mi Melvill's words, "the facilities of communication with Calentin and Bombay, which are freely supplied from Europe and Australia, have given the precedence to those markets in the supply of gold " Mi MeLeod reports that the sovereign is now the gold coin most familiar to the Appendix No 1, page 189 people of the Punjab, "being by far the most abundant and almost the only one now employed systematically for equalising the exchange" The prevailing opinion at the other extremity of the empire in British Burmah will be seen from the papers in the same number of the Appendix from two gentlemen of experience and ability who have been much engaged in mercantile pursuits.

But the most decisive example of all will be found in the Madias correspondence in the Appendix Owing to Appendix No 5, page 218. the large number of sovereigns introduced into the districts of Tanjoie, Tinnevelly, and Madura, partly received in payment for rice exported to Ceylon, and partly the earnings of laborers who had returned from Ceylon and the Mauritius, current silver money became so searce in 1858, that it was difficult for the landowners to pay the revenue due by them The Government of Madias, therefore, authorised the receipt of sovereigns at the Tanjore Treasury at 10 rupees each, and afterwards directed that they should be paid at the same rate to such persons as might be willing to receive them. Although this proceeding was overruled by the Government of India, it had gone far enough to prove that a gold currency, based upon the sovereign at 10 rupees, would rapidly have taken the place of the silver currency, if the Supreme Government had not interfered to prevent it The unissued coms were sent to Madras to the number of 10,370 sovereigns and 1,865 half-sovereigns, where they were sold at a profit of Rs. 2,168-12-7 compared with the rate at which they had been received, being an average

premium of three annas one pie on each sovereign. The Australian sovereigns, although more valuable than the English to the extent of the silver alloy they contain, sold on an average three farthings each less.

The determination of the people of India to have gold, justifies Lord Inverpools opinion that "in very rich countries, where great and extensive commerce is carried on gold is the proper metal of which the principal measure of property and instrument of commerce should be made. In such countries, gold will in practice, become the principal measure of property and the instrument of commerce with the general consent of the people not only without the support of law, but in spite of almost any law that may be enacted to the contrary for the principal purchases and exchanges cannot there be made in coins of a less valuable motal."

The pien of issuing notes in certain proportion against gold.

It remains to be considered how this great desideratum can best be attained

Act XIX of 1881 under the anthority of which the Government paper currency was established, contains a provision that notes not exceeding one fourth of the total amount of issues represented by coin or bullion, may be usued in exchange for gold coin of full weight of the Bovernment of India, or for foreign gold coin or gold bullion computed it rates to be fixed by the Governor General in Conneil, and not to be iltered without six months' previous notice. Mr Cassels remarks that this important amendment has for some inscrutable reason or by mere mersicht, been allowed to remain ever since a dead letter, and the Governor of Bombay proposes that it should now be acted upon effect of this,' Sir B Frere observes, "would be to substitute a const derable portion of gold for the silver which is now imported into India and in proportion to such substitution to relieve the inconvenience which is now felt by the absolute scarcity of silver in I'nrope It would also tend to expand the use of Government currency notes and to set free a corresponding quantity of silver which is now absorbed in various ways in remote parts of the country, and which di appears from the cir culation of our great commercial marts

This provision was borrowed from the parallel case of the Bank of England which was permitted by the Act of 1511 to issue notes in exchange for a certain proportion of silver

This was objected to by Mr. Wilson and other high anthornties who considered that the principle of convertibility on demand required that

the Bank of England should be allowed to hold in its coffers that metal only in which payment of its notes could be demanded, and that the permission to retain silver as a portion of the reserve introduced a mercantile element into the management of the Issue Department, and was inconsistent with the theory on which the Act was founded.

The object of holding silver in the Issue Department of the Bank of England was to facilitate the adjustment of the exchanges with France; but, after the change in the relative prices of gold and silver caused by the gold discoveries and the increased demand for silver for transmission to the east, the nearly balanced system of alternative standard in France oscillated in the direction of gold, and it became no longer advantageous for the Bank of England to hold silver in the Issue Department Since August 1853 that item has disappeared from its weekly account, and it only re-appeared for a few months at the end of November 1860, under an arrangement adopted for the convenience of the Bank of France

The corresponding provision permitting the Currency Department of the Government of India to receive a certain proportion of gold, has never been acted upon for the following reasons —

Because, as stated by Mr. Wilson, it is inconsistent with the principle of a Government paper curiency. That paper is payable only in the current coin of the country; and its convertibility in times of political distriust or mercantile panic, might be seriously endangered, if any of the uninvested deposits were held in gold which could not be tendered in payment of the notes. The sale of gold for current silver coin would be a precarious resource, for times of panic are exactly the times when money is not to be had.

Besides furnishing a more convenient medium of exchange, a properly regulated paper currency releases, for productive purposes, a portion of the capital of the country which had been employed, without yielding interest, in providing a less perfect medium of exchange, and, with this object, such portion of the deposits as is not likely to be required to meet demands for coin, ought to be invested in Government Securities. The effect, therefore, of keeping any portion of the deposits in a form which is not available for the payment of the notes, is to interfere to the same extent with the beneficial operation of the

paper currency system The full amount required to maintain the con vertibility of the notes has to be kept in current coin in addition to the uncurrent com or bullion In other words, the latter is pure loss

There are other practical difficulties which I will describe in the words of Mr George Arhuthnot, of Her Mujesty's Treasury, to whose mature experience and excellent judgment in this difficult class of subjects, I have often been deeply indebted. "It would be easy to imagine cases in which the Government of India would be placed in great difficulty in attempting to manage on its own immediate responsibility and discretion the usue of notes in axchange for a limited amount of gold com or bullion The advertisement of a price would be an invita tion to parties to tender gold but individuals, not ucting in concert. could not ascertain the quantity which it would be sufe for them to remit When it arrived in India, the limit might have been reached to which the proportion of gold is restricted by the currency law and confusion, instead of facilities in the adjustment of exchanges, would be the result. Again the sale of gold when its price might be higher than that at which it was received into the currency chest, could hardly be undertaken by Government with a view to profit. However skill fully such transactions might be conducted, it is hardly to be conceived that any Government official could so conduct them as to avoid the risk of censure by those whose interests might be affected by the disturbance of prices occasioned by the sales and the probability is that no official would have sufficient experience of business of this nature to enable him to manage it with safety'

And, after all this difficulty and hazard the end attained would not be" to substitute a considerable proportion of gold for the silver which is now imported into India nor to set free n corresponding quantity of silver which is now absorbed in various ways in remote parts of the country," as supposed by the Governor of Bombay but to lock up a e riam quantity of gold in an unproductive state, subject to the condition that no equal value in current silver com must be kept in deposit to provide for the payment of the unter

Complication arising from the practice of laming notes against direr bullion.

This seems the proper place for calling attention to the extraordi nary and dangerous complication which list arisen from the adoption into the Indian paper currency system of the mercantile principle of

issuing notes in exchange for bullion as well as coin which was retained

in England by the Act of 1844. I am speaking now of silver bullion which by the 9th Section of the Act of the Government of India, No XIX of 1861, must be received in exchange for notes to any extent to which it may be offered, with a proviso that, in places where there is no Mint, it shall be optional to receive coin only, in exchange for notes. This option has been acted upon in the case of the currency circles recently established in the interior, by directing that notes shall be issued only in exchange for coin.

The Indian Mints have always been open for the receipt of silver bullion, and, while the amounts tendered for cornage were moderate, and the Mint certificates were payable at thirty, and afterwards at twenty days' sight, no inconvenience was felt

But in July 1861, the paper currency system was introduced, one of the conditions of which was that notes invested with the character of legal tender might be obtained at once in exchange for silver bullion.

This made it necessary that the Mint certificates also should be payable on demand; for, otherwise, the bullion would all have been sent to the Currency Department to be exchanged for notes, and the notes would have been immediately returned to be exchanged for coin. The result of this would have been, that the Currency Department would have become filled with bullion and emptied of coin, in other words, that Department would have had to suspend each payments and declare itself insolvent

The obligation to pay the Mint certificates upon demand, involved the Government in a formidable responsibility. The entire financial machinery had to be strained to meet the vast amounts of bullion poured in to pay for the enormously increased exports. For some months, while the usual receipts from opium were suspended and our reserve at Calcutta was locked up by the investments made by the Bank of Bengal on its own account, under its agreement with the Government, the anxiety was

very great It will be seen from the Return in the Appendix that £6,310,550 was remitted in aid of the Bombay Treasury, between the 1st May 1862 and the 20th May 1864 Since the beginning of last April we have had to remit £1,220,000 to Bombay, besides £460,000 in coin obtained from the Currency Department in exchange for bullion

In order to keep the Bombay Mint ut work at the rate of £40 000 a day, it is necessary that there should be £940,000 of bullion in its several departments, and seventeen days intervene between the receipt of bullion and its issue as coin. If therefore, there was little or no bullion in the Mint, and a large amonat was tendered for coinage, at least £600,000 would have to be paid before the Mint could deliver any new coin into the Treasury. That this is not an improbable contingency is evident from the fact that, during the last three years, the silver bullion tendered monthly has ranged from

Appendix No. 3 C, pege 211 E874 to £2,205,552, and that, in the same month in the three years the amounts have varied from £577,709 to £2,295 554, and from £874 to £437,481

The same state of things prevails at Calcutta and Madras. "If the balance of bullion in the Mint," the Master of the Mint at Calcutta reports, "is reduced to a minimum as is now being done, it will be necessary in the case of any sudden influx of silver for the Treasury to be prepared to meet Mint certificates at the rate of four lakhs a day, for tweaty days, without counting on any remittances from the Mint.'

All idea of husbanding the public balances for the public benefit must be cast aside, if they are to be answerable for any amonats of ballion which the new necessities of the Indian tride may hring to our shores. So large and unexpected are the demands that, concurring, as they may do, with other exigencies, we may at any time be thrown by them into a state of temporary insolvency. Merchants are entitled to have their bullion converted into count the earliest possible period, but they cannot expect advances to be made upon it out of the public purse.

Although we have been forced, for a time to pay the Mint certificates on demand, owing to the complication already explained, connected with the paper currency, we have never conceded the principle which regulates every. Mint in the world—that of being liable for the value of the ballion only after it has actually been made into coin. We ought, therefore, to adopt the time basis of a paper currency by resump notes only in exchange for coin and we shall then be able to return to the former practice of granting, as fast as the ballion can be a ayed, Mint certificates payable after an interval fixed with reference to the average time occupied in coining.

Returns will be found in the Appendix, showing-

Appendix No 8, page 208.

1st.—The total amount of silver bullion received at each of the three Indian Mints, in each month, from 1st May 1862 to the 30th April 1864

Appendix No 3, page 208.

2ndly.—The total amount coined in each month.

Appendix No 3, page 208 3rdly —The balance remaining uncoined at the end of each month.

Appendix No 3, page 212

4thly —The silver bullion tendered for coinage to the Bombay Mint in each month from the 1st May 1861 to the 30th April 1864, and,

5thly —The remittances made from the 1st May 1862 to the 30th

Appendix No 6, page 240

April 1864 to reinforce the Government balance at Bombay to meet the Mint certificates and the Secretary of State's bills.

Previously to the Act of the Government of India, No. XVII of Past proceedings in reference is a stothe gold comage in India established for the British dominions in India, the gold mohur of Bengal and the Star Pagoda and other gold coins of Madras and Bombay were a legal tender, being valued relatively to silver in the proportion of one to fifteen.

By the Act of 1835, and a contemporary Resolution of the Government of India, gold coins, representing, respectively, 5, 10, 15, and 30 rupees, were directed to be coined at the Indian Mints, and, although they were not to be a legal tender, they were to be received "and issued" at the public Treasuries at rates to be fixed, from time to time, by proclamation.

The rates were those denoted by the names of the coins; but it was afterwards perceived that the issue of these coins at a prescribed rate was inconsistent with the fact that they were not a legal tender, and a proclamation* of January 1841 authorized them to be freely received at

^{* &}quot;No gold coin will henceforward be a legal tender of payment in any of the territories of the East India Company, but the gold pieces to be hereafter coined will circulate at whatever rate of value relatively to the legal silver currency of the country they may bear to currency. The Governor General in Council will, from time to time, fix the rate by

the previous rate of fifteen to one, and 'to be disposed of as might be ordered by the Accountant General or the Accountant of the Presidency'

In May 1844, in order to encourage the coining of gold, the reduction of the seignorage on gold bullion tendered for coinage from two to onepor cent., which had previously taken place at Calcutta in November 1837, was extended to the Mints at Madms and Bombay and it was declared that persons delivering in gold for coinage were entitled, as a matter of right to have gold coins returned to them. The seignorage on gilver coin remained as before at two per cent

In January 1850 the Sub-Treasurer at Calcutta reported that the market price of the gold coin had gradually fallen to the price at which the Government received that coin from the puble, and that there appeared to be a tendency to a further fall. This was the first notice of the effect apon the currency of India of the increased production of gold in California but the Government did not at that time consider it necessary to direct any alteration in the terms on which gold coin was receivable into the public Treasuries. After this came the discovery of gold in New South Wales and the Government of India was alarmed by rumours that arrangements were in progress for forming connexions with Anstralia for the purpose of bringing up gold, by a direct line of steam communication to take advantage of the proclamation by which gold was receivable at the rate of fifteen to one compared with silver of equal weight and fineners.

In order to avoid the embarrassment of an excessive stock of coin which was not recussable and could not be disposed of expect at a loss notice was given, on the 22nd of December 1852 that gold coin would no longer be received in public Treasuries.

The course which ought now to indepted is to retrace our steps.

We ought now to retrace our addition to silver at a rate carifully calculated with reference to the relative value of the two metals.

proclamation in the Colorit Genetics to which there had be received and it need to the policy from order to Benefit the Level Borrower or of Both hinds. Lattifurther on Level to rate will be as the name of the threat document by gold under for 15 receives the rappe page for rapper, the 10 rapper page for 10 rappers and 15 Delay 1 or for 70 rappers.—Lett of complete the Gold rame of file to 10 to 15 fibereds of 16 files.

To the adoption of this course, Mi. Wilson objected that "a conMr. Wilson's objection tract to pay a given sum of money is nothing more nor less than a contract to deliver a given weight of that metal which is the standard at the time the contract is made, and that to alter or vary the standard, and to adopt another metal because it is cheaper, is simply to enable the debtor to break faith with the creditor."

This argument has been ably and snecessfully answered by Sir W Mansfield, in the 3rd and 4th Chapters of his Minute He shows that money is the measure and representative of value; and that, whatever may be the current coin in which contracts are expressed, the intention is, that the ereditor should receive value, without depreciation, in any form which may be most convenient to the community to which he belongs, otherwise, the State would not be able to change its legal tender or expression of value, the effect of which would be, under different circumstances, to do real injustice to debtors or creditors. If a change of value is taking place by which an ounce of silver will, at some future time, be worth more than an ounce of silver now is, we ought not to merease the value of debts by declaring that, for all time to come, they shall be paid in coins constantly gaining a higher value than was originally attributed to them, and the reverse of this would be the ease if silver was in a course of depiceration. Including the local revenue, the Government of India is annually a creditor to the extent of nearly fifty millions steiling, more than two-fifths of which depend upon permanent obligations expressed in the legal silver money of the time, or upon obligations similarly expressed for long terms of years. The same Government is also a debtor to the extent of rather more than twice its annual revenue. According to this view, the State is chiefly interested in maintaining the lights of cieditors. But according to the broad and just view, the real concern of the State is to maintain the integrity of all contracts, public and private, and to promote general confidence and good faith, by so regulating the circulating medium, that, as far as possible, no enhancement or depreciation of value shall take place to the advantage of debtor or creditor

The question of the double standard Closely connected with this, is the question of the double standard of value

The popular sentiment coincides with the opinion of Mr Locke, Mr. Harris, and Loid Liverpool, that the principal measure of property should be made of one metal only

And, in fact, although it may be necessary for n time that two metals should be legal tender, only one metal can practically be the standard of value

However necessately the value of two metals may be adjusted to each other, the viousitudes of production, the necessaties of commerce, and the convenience-of daily life, ever cause slight variations between the market value of the two and the cheaper metal becomes the principal medium of exchange and the standard of value.

It would seem to be n result of general experience, that nations must pass through this stage before they arrive at n satisfactory state of their currency

British currency went through a series of alterations between gold and silver until a gold standard with a subsidiary silver token coinage, was finally established in 1816 by the 56, George III, C 68

The experience thus nequired was employed in 1838 and the following years in reforming the metallic money of the British Colonies, which had fallen into a confused and unsatisfactory state, and peremptorily required the interference of the Government. This was done by rating the foreign gold and silver coins current in the different Colonies at their proper relative value to sterling money and making them legal tender in common with sterling money. The discoveries of gold in California followed after an interval of some years and silver then ceased to circulate, except as tokens for the fractional parts of the pound sterling, and the British sovereign was established as the sole standard. The first of these changes was an administrative operation. The second was a natural result. They were both eminently advantageous.

The whole process is described in the extract in the Appendix from a Memorandum by Mr. George Arbuthnot, dated in Angust 18-9. It will be seen that he speaks of the proceedings for the 'concurrent use of the British with the foreign coins in the rates assigned to them,' as having been "intended with perfect success." and says that the subsequent transition from a silver to a gold standard 'was effected without disturbing contracts, and without detriment, therefore, to the community in large.'

Our example was followed by the United States. By the law of 1849 golden dollars of a certain weight and fineness were legally

declared to be equal to the silver dollar. In 1853, the old full weight silver com having been in great part absorbed as a commodity of trade, and the national reserves now consisting almost entirely of gold, the intrinsic value of the silver comes was reduced (the dollar from 412½ grains to 384 grains,) so as to make them tokens, like the English silver comes, limiting them tender to five dollars, and thus adopting a single standard of gold.

A similar change has taken place in France. Since the decree of Napoleon in 1801, a double legal tender has prevailed. From 1801 to 1850 gold had a tendency to rise, and it consequently disappeared from the ordinary circulation and commanded a piemium, but the piece having fallen somewhat below the fixed rates since the discoveries in California and Australia, the standard currency of the country and its reserves now consist of gold, and the silver coin, which has not been exported, in consequence of its having been reduced by wear below its full value, is fast passing into the state of a subsidiary token coinage.*

As in the British Colonies, so in the United States and Fiance, the alternative legal tender eaused no inconvenience in measuring values;

Since this was written, I have seen from the Newspapers that the French Government has determined to reduce the half and quarter francs from 900 parts of pure silver and 100 alloy, to 835 pure and 165 alloy, in other words, to make them avowedly tokens, which they had really already become by wear. The five franc pieces of the coinage of the years till 1830 were always better than standard, but from 1844 to the present time they have been below their standard, and the coins of the present day are worse than any. The following is an abstract Statement of five franc pieces received into the Calcutta. Mint during 1863-64—

Weight Tolabs				Assay	Nett value in Rupees Issued in Mint Certificate		Loss to importers from difference between ac- tual assays and French standard.
Rs.	A	P			Rs. A. P	Rs A P	Rs. A P
67,98,291	9	0	4	dwts. worse.	55,73,818 1 2	55,73,318 1 2	Nil.
40,40,187	14	Ò	41	đo	88,74,439 2 8	38,S3,428 9 5	8,989 6 9
11,933	0	0	5	đo	11,416 14 5	11,469 5 11	52 7 6
13,208	2	0	55	do	12,607 7 9	12,695 10 5	88 2 8
98,63,620	9	0		•	94,71,781 10 0	94,80,911 10 11	9,180 0 11

and the accession of gold, as the sole standard of value did not affect, in any perceptible manner, prices, obligations, or interests of any kind whatever

It will be seen from the papers describing the currency of Ceylon, which form the last number of the Appendix No. 10, page 267 dix, that Ceylon, which is an integral part of India, is considered to owe to its double standard its compantive immunity from the severe monetary crisis through which India has lately passed.

I have no further argument to urge for the adoption of gold in British India as an auxiliary currency. Monetary science is ominently experimental and if the point has not been established by the examples which have been addresed, no 4 priors reasoning would suffice.

If the expediency and safety of the first step has been proved, I do not care to follow the process through its Bubsequent steps of the process. subsequent stages. The change should, of course, take place with the utmost attention to the habits and feelings of the people, as recommended by the Chambers of Commerce What I propose is, not an immediate or entire substitution of gold for silver money, but the gradual addition of gold money to the existing silver money Both metals are hold in esteem by the people on account of their intrinsic value and for a long time they would have a concurrent orgalation The first effect of the admission of gold into the cur rener would be to raise the value of gold, because it would release in equivalent amount of silver. In other words a tendency would be created to lower the value of silver, and so far, an advantage would be given to silver in maintaining its place in the eireulation mate effect would, probably be that partly from a slight additional fall in the price of gold in India arising from causes which will be hereafter more fully explained, and partly from the superior convenience of that metal in making the larger payments the currency and reserves of the country would become gradually filled with gold, and the time would then arrive for considering the propriety of converting the silver comage into a subsidiary token comage. Perhaps as in France, the after comage not being renewed and becoming by wear less than its full nominal value, would of strelf subside into a token comage, und the people of India would be gradually educated to receive such a comage as representing a value which it did not intrinnically posters.

Commerce would be greatly facilitated by the establishment of one Advantage of an uniform uniform standard medium of exchange standard of exchange throughout the British Empire This is an advantage of extensive empire, including dependencies in different parts of the world, which ought to be utilised for the public benefit. A similar advantage was formerly derived from the general currency which the Spanish dollar obtained. Owing to its superior convenience and other causes, the British sovereign would, if fair play were given to it, come into more extensive use than the Spanish dollar ever did.

One of the first results of the discovery of the Californian gold Assimilation of the English fields was, that the Mediterranean and Levant were swept of dollars for transmission to the east, and sovereigns were substituted for them. After the discovery of the Australian gold fields, a branch of the Royal Mint was established at Sydney for the comage of gold in accordance with the standard of weight and fineness of the currency of the realm. The superscription, however, was different, and the com was made a legal tender only in the Australian Colonies. Its currency has since been extended by Royal Proclamation to other possessions of the Crown, viz, Mauritius, Ceylon, and Hong-Kong

In May 1862, a Select Committee of the House of Commons was appointed to consider and report on the expediency of legalising the circulation in the United Kingdom of the sovereigns coined at the branch of the Royal Mint at Sydney The Committee reported that although the sovereigns coined at the Sydney Mint might "be considered perfect as regards fineness and weight," and were, in fact, more valuable than the Tower Hill sovereigns, because, whatever silver there was in the gold found in Australia, it remained in the coin as part of the alloy, the sovereign made at the Royal Mint had a preference over the Sydney sovereign wherever both were in circulation, that this was entirely due to the fact that the Sydney sovereign was current in Australia alone and in a few of Her Majesty's distant possessions, while the English sovereign had a circulation throughout the realm, and that "the inconvenience resulting from this limit on the circulation of the Australian sovereign is particularly experienced in the large trade carried on between Australia and our possessions of Ceylon and Mauritius, where this coin has been declared current by Royal Proclamation In this commerce with our possessions, and also with India, Manilla, Java, and other

countries, into which Australian gold coin largely enters, there is no doubt but that the imperial sovereign is more highly valued than the sovereign issued at the Sydney Mint." The Committee, therefore, recommended—

"1st -That gold come should be assued from the branch Mant at Sydnoy, having currency in all parts of the British dominions where gold comminted in London is current

"2sd —That the coin struck at the Sydney Mint should have as nearly as possible, the same alloy, and the same quality of exception and darability as that struck at the Royal Mint in London

"Srd -That the coin should also have n Mint mark sufficient to indicate, at least to bankers and others, the Mint whence it issued.

"4/k —That an indequate Mint charge or seignorage should continue to be lovied, and that the Imperial Government should stipulate for its being kept at such an amount as to prevent any under inducement to the importation into the United Kingdom of gold in committer than in bare

'5/4 -That arrangements should be made for withdrawing from circulation, as speedily as possible, the existing Sydney gold coinage.

"6th .—That the charge for the branch Mint should be provided for by permanent appropriation by the Legislature of New South Wales, rather than by an annual vote"

These recommendations were accepted by Her Majerty's Govern ment, and a Treasury Minute was recorded on the 22nd of June last, stating that 'My Lords are satisfied with the disposition shown by the Legislature of New South Wales to pass an Act for this purpose the Bill introduced this year laring been withdrawn only on account of n technical objection not affecting the principle of the measure; and they are willing to submit a Bill to Parliament, as proposed by the Governor of New South Wales, conditionally, enabling Her Majesty to declare by proclamation, coins to be issued from the Branch Mints of New South Wales, corresponding in the essential particulars regarding the standard of value and denomination with those issued from the Royal

Mint of London, a legal tender of payment in the United Kingdom. The effect of such an enactment will be to enable Her Majesty to give emirency to the Sydney gold coins in all parts of Hei dominions in which gold coins issued from the Royal Mint in London are a legal tender."

The Minute then states that this measure must be guarded by the precautions recommended by the Committee, of which the imposition of an adequate Mint charge is the one of most immediate importance. This charge is proposed to be fixed at 3d an ounce of gold com, which is the estimated cost of comage on all gold returned in com to the importer, and it is explained that this is to be over and above, 1st, the charge made at the Sydney Mint for prompt Returns, whether in com or bar gold, analogous to the charge of 11d allowed by law at the Bank of England for immediate Returns in exchange for bulbon, 2nd, the charge, if any, which may be incurred for assay and refining; 3rd, the duty, if any, imposed, by Colonial Act, on gold imported into the Mint as the equivalent of an export Customs duty

The 2nd and 3rd recommendations, the Treasury Minute proceeds, will be the subject for future consideration when the necessary statutary powers shall have been obtained, but, although identity in quality of execution and durability between the coin struck at the Sydney Mint and that struck at the Royal Mint of London, may properly be kept in view as an object of ultimate attainment, it would not be expedient to lay down any positive regulation regarding the character of the alloy to be employed

It will thus be seen that the only external obstacle to the supply of India with the standard gold coin of the British Empire is about to be removed. Australia is the greatest existing source of supply of gold; and, both from proximity and from the course of trade, she ought to be bound up with India in a peculiar relation. The perfected authenticated produce of the Australian gold fields ought to have the same

^{*} There are political and moral, as well as economical relations involved in the connection between Australia and India which were alluded to by me in a letter published in the Times on this subject in February 1850—"England has a southern as well as an eastern empire. One empire is Christian, the other is Heathen. One is young, self-governed, full of vitality, composed of men of our own nation and language the other is the oldest existing community in the world, abounding in latent resources, but helpless, dependent, and requiring the aid of a more energetic race to rise to a higher state of social and moral existence. That these two empires should be closely connected with each other,

advantage as the Spanish deliars coined at the mine's mouth had in former days. But, instead of this, it must either be seat to England to be re-coined and forwarded to India charged with all the expenses of this circuitous route, or, if sent direct to India, it must be disposed of at a less compared with the British sovereign. For the future, there is to be only one sovereign, distinguished merely as to its place of manufacture by a Miat mark, which will require a magnifying glass to be detected.

The Committee abstanced from entering into the question " whether the Mint would have been better placed at Melboarne than at Sydney or if a Mint should not also be established at Molboarac but in another part of their Report, they gave the following indication of what their decision would have been "the character of a coinage, whether produced at one or at many establishments, must depend on the benesty and integrity of those charged with its superintendence, and there is no reason to doubt that, with a well regulated establishment and proper control, Mints conducted for the advantage of the subject and not for the exclusive benefit of the Crown, may usefully be established wherever there exists an extended market for bullion" The Treasury Minate contains the following reference to this part of the subject - 'My Lords would have been ready to have entered into this question if required to do so, as preliminary to any measure for declaring sovereigns and other cold money couned in Australia, a legal tender of payment in the United Kingdom but, as it has not been raised by the Colonies immediately concerned, though ample time has been offered for its considera tion since the publication of the Report, their Lordships feel themselves warranted in passing it by and applying themselves to the proposition now before them from the Colony of New South Wales.

India has no slight interest in this question. The precious metals are imported at a particular season of the year to meet the urgent necessities of trade. They are wanted in the form of coin, to be sent at once into the interior, to pay for produce; and overy day's delay is a loss to the holder and an injury to trade. But, us the premous metals are

so well as with the metropolitan country greatly concerns the interests of all. The tropical productions of India meet with a ready sale in Australia, but the great stapts of Australia is excluded by Mint Regulations from India. Australian men would come in the wake of Australian gold, and another branch of the Anglo-Saxon family singularly adapted for the work by experience and genius, would co-operate with us in the organization of Indian industry."

received in vast quantities at a time, it is impossible that any Mint, however powerful, can convert them into coin as fast as they are required. One of the advantages of adopting the sovereign as the standard gold coin of India, will be that, as it is the sole standard coin of the rest of the British Empire, it may be imported ready for use, but this advantage will be in a great degree lost if the principal Australian gold field is unprovided with a Mint.

Major Ward, the Master of the Sydney Mint, wrote to me in February last,—"Your acceptance of our coin, or, as it then will be, the imperial sovereign, as a legal tender in India, would increase our work, and we could produce for your circulation alone some £4,000,000 sterling per annum, and if a Mint be established at Melbourne, three times that quantity." This supposes that nearly the entire annual produce of the Australian gold fields would be coined and sent to India Such, I believe, would be the case, if a Mint were established at Melbourne, and if the legal restrictions existing in India and Australia were removed. The proximity of Australia makes that country the natural source of supply for the east, as California and Russia are for the west.

The produce of the Australian gold fields has of late years shown a decided tendency to fall off. Universal experience proves that, owing to the micely balanced state of the market for the precious metals, they are not a fit subject for an export or import duty. The steady diminution of the gold supplied from the Victorian fields will be seen from the following extract from the Report of the Registrar General of the Colony on the quantity of gold exported during the last twelve years:—

J	0 1		O	•
Year			Ounces.	Value.
				${\mathfrak L}$
1851	• •		145,147	580,587
1852	•••	••	2,724,933	10,899,733
1853	•••	••	3,150,021	12,600,083
1854	••		2,392,065	9,568,262
1855	•		2,793,065	11,172,261
1856	•••	•••	2,985,669	11,942,783
1857	•••	•••	2,761,528	11,046,113
1858			2,528,188	10,112,752
1859			2,280,676	9,122,702
1860	•		2,156,661	8,626,642
1861	•		1,967,420	7,869,758
1862	***	•••	1,658,285	6,685,192

And it appears from another source that during the first half of 1803 gold was experted only to the value of £3,298,036, which shows a still decreasing rate

Assuming the basis of the change to be that the sovereign and

llow the sovereign should be
rated in reference to the rupee
they are to be rated in reference to the rupee

Certain general principles may be confidently laid down

The first and most essential of these is, that the rate fixed should be rather below than above the present price of gold. The danger to be avoided is an unduc interference with existing contracts. If the rate were fixed too high, debts could be paid with a smaller value than that for which they had been contracted silver would be practically demonetised a large quantity of gold would be suddenly required to carry out the change and the result apprehended by the Calcutta Chamber of Commerce would be realised "of great deraugement in the commerce and finance of India and probably also in the money markets of Europe." The rest would right itself in time but the frand committed upon creditors would be arremediable, for, when contracts have once been interfered with by an alteration of the measure of value, there can for them be no return to the fermer standard. On the other hand the worst that could happen from rating the sovereign too lew, would be that the operation of the measure would be retarded but no other harm would be deno, and the object might still be attained by a revised rating in which the sovereign would be placed somewhat higher

The sovereign must be rated not with reference to its value in England, but solely with reference to the cost at which it can be obtained from the changest source of supply, that is, from Australia.

It is very desirable that the rate should, if possible be so fixed as to avoid an inconvenient fraction. The countless repetition of the cal culations involved in the existence of such a fraction would seriously detract from the advantages of the measure. For a long time the exchange between India and England has been so near two shillings for the rupee, that this has been fixed from year to year for the adjustment of the accounts between Her Majesty's Indian and Home Governments. The same rate has been adopted in the financial accounts, and

is extensively used in private transactions. The public mind is therefore already accustomed to this rate of conventing the rupee into steiling, and it is in itself the most convenient possible. It offers the following simple decimal proportion —

The Madras Fanam, which, not long ago, was the favorite coin of the south of India, was worth Rs. 5-6-6 When Muliaj was besieged in Mooltan, being short of silver to pay his troops, but having forty lakes of rupees hounded in the gold, he coined the whole of it into pieces which passed for one Rupee. These have since been in great request.

Sin C. Wood attached so much importance to the possibility of adopting a convenient mode of converting the sovereign into rupees, that, in a Despatch dated the 2nd of May 1861, he stated the question of the introduction of a gold currency into India as depending upon it,—"I am not insensible to the possible advantage which might arise from the introduction of the sovereign as the current coin of India (as it is, I believe, in Ceylon), but at the present relative intrinsic value of gold and silver, no combination of Indian coins can express the value of the sovereign. If, by any change in the relative value of the two metals, a sovereign and 10 rupees were to become of equal intrinsic value, the sovereign might readily be introduced, and become the standard coin of India, but at present it can only be taken at its value as gold, and that value will vary from time to time, according to the demand at the moment for that metal"

The reform of the currency of the West India Colonies was much facilitated by what Mi Arbuthnot calls "a fortunate coincidence of principle and convenience," i e, the rating of the Spanish and Mexican dollar for circulation at 50d This valuation afforded a simple rule for the "conversion of the dollar into the denomination of British money, and it equally facilitated the conversion of British money into the decimal system of account founded on the dollar, as the half-penny represented the 100th part of that coin"

I am disposed to think that, although a sovereign and 10 rupees have not become of equal value, they have sufficiently approximated to allow of an auxiliary gold currency being successfully introduced at that relative valuation.

Rs. 9-15 to Rs | The Government currency notes would be payable either of 1863 Rs. 10.35 | reigns at the rate of 10 rupees. No bullion, either The latest information | for the reasons already explained, be received in a letter from the Hon'ble () The arrivals of gold in this in the currency notes would be payable either of 1863 Rs. 10.35 | reigns at the rate of 10 rupees. No bullion, either the latest information | for the reasons already explained, be received in a letter from the Hon'ble () | That under such an arrangement,

demand that 22 carnt fine 15 Note.

Rs 14-7-6, a price which would not essential condition is, that of the Mint at the required cost of his difficulty is, that I do not

It will be seen from the interesting that gold, in general, number of the Appendix, that the rate, at him.

In Upper India scarcely exceed those which prevail to are likely is explained by the fact that gold is so much cache, at later less at I do not that gold, in general, at calcutta. It will also be seen that every hold, in general, at upperson are likely in the source of the prevail to the

In Australia a duty of 1s. 6d. is payable at the Customs for every ounce of the country of 1s 3d for every ounce of the country of the countr of gold exported, for which a duty of 1s 3d for every ounce of standard of gold exported, 101 which is brought to the Royal Mint at Sydney. This difference is intended to equalize the charge upon two descriptions of metal, the raw gold, as produced from the mines, being considered generally better than standard gold to the extent of 3d per ounce. Besides this, a charge is made at the Sydney Mint for melting, assaying, and coming, of one per cent, upon quantities below 1,000 oz, and of 3 per cent upon larger quantities be determined to adopt an alternative legal tender of gold and silver in India, hanging on an uncertain balance, the expediency of maintaining these charges will probably be re-considered No revenue, which the Australian Colonies are likely to obtain from them, can be compared with the advantages they would derive from the unlimited demand for their great staple, which would be the consequence of its really becoming a component part of the currency of India The 1s 6d, or 1s 3d the

^{*} This opens to view another important result of a gold currency. Combined with railways and the paper currency, it will have a great effect in equalising the internal exchanges. The substitution of gold and paper money for the cumbrous silver medium will also allow of the public expenditure being carried on with a smaller average bilance, and a large amount of silver will be thereby set free

ounce, is an ordinary export duty upon gold, treated as an article of mer chandize. The additional Mint charge of 1 per cent was described by Mr. Miller, of the Bank of I ngland, in his evidence before the Select Committee on the Sydney Branch Mint, as "very extravagant indeed".

The establishment of a regular trade, embracing England India, and Australia in a connected process, would also somewhat reduce the price of gold in India and would give increased steadiness to it. Up to the moment of its absorption into the currency every onnee of gold which reaches the shores of India is an article of merchandise, affected by all the conditions which influence commercial transactions and it is a well known rule that, while high profits are necessary for isolated, exceptional, one-sided operations a low average rate suffices for a settled trade, in which several profits and freights are obtained in a connected series

While Australian sovereigns can now be laid down at Calcutta at Rs. 10-2 0 cach English sovereigns can only be delivered at Rs. 10-4 10 This shows how completely this is an Indian and Australian question in its practical details. Although England is deeply concerned, it is only through the interest she has in her commercial and other relations with India and Australia.

After making all these allowances, the sovereign at 10 rupees would probably still be undervalued as compared with silver—but the use of gold as money is attended with so many advantages, that it would, notwithstanding be preferred in all but petty transactions. If I am right in this conclusion, the object we all have in view will be attained. When sovereigns are tendered at 10 rupees, creditors will get some thing more than they are outsided to and yet sufficient motives will not be wanting to maintain sovereigns in circulation.

My proposal, therefore is that sovereigns and half-sovereigns according to the British and Australian standard 14ths fine and £3 17 10½ and ounce coined at any properly authorized Royal Mint in England Australia, or India, should be declared logal tender in India at the rate of one sovereign for 10 rupees and that the Indian Mints should be open to the receipt of gold bullion on the above-mentioned terms to be re-delivered in coin at a charge merely sufficient to cover the cost of manufacture which is much below the present charge of 1 per cent. The Mint charge on silver should be maintained at the existing rate

of 2 per cent. The Government currency notes would be payable either in rupees, or in sovereigns at the rate of 10 rupees. No bullion, either gold or silver, should, for the reasons already explained, be received in exchange for notes.

Mr. Claud Brown remarks,—"That under such an arrangement, sovereigns would be readily and rapidly received into general enculation, I have little doubt, but the first and most essential condition is, that some one must provide the sovereigns, and my difficulty is, that I do not think it can be done at the price" My answer is, that gold, in general, and the sovereign, in particular, are already provided in vast quantities, and that the motives which have produced this great importation are likely to be increased by making the sovereign a legal tender at 10 rupees.

The view I take has iendered it unnecessary for me to enter upon some considerations, which have usually been much dwelt upon in the discussion of this subject

I freely admit the hoarding propensities of the people of India, arising from habits induced by ages of misgovernment. The Government of India has been a still greater offender, owing to the enormous eash balances held by it, which, taken together with the numerous and large reserves kept by the Native States, probably amount to more than is hoarded by all the ryots and other private persons throughout the country. Mysore, which is under our own management, had upwards of £1,000,000, until a portion of it was lately invested in Government Securities, the petty principality of Kirwee had a treasure amounting to more than £600,000, which was never heard of until it was captured by our troops, Saadat Ahr's Lucknow treasure was about £8,000,000, and the third-rate State of Scinde had £470,000. These last have disappeared, but their recent existence is illustrative of the prevailing practice of Native States.

I also entirely agree with the position which has been so clearly established by Captain Lees in his valuable and interesting book on "The Diam of silver to the East, and the currency of India," that, partly owing to the change from a Native to an European form of Government, partly to the substitution of money for barter in remote districts, but chiefly to the general increase of prices and wages and the vastly augmented amount and number of transactions, the requirements of India

of 2 per cent. The Government currency notes would be payable either in rupees, or in sovereigns at the late of 10 lupees. No bullion, either gold or silver, should, for the leasons already explained, be received in exchange for notes

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ounce, is an ordinary export duty upon gold treated as an article of mer chandire. The additional Mint charge of 1 per cent was described by Mr. Miller, of the Bank of Lugland, in his oxidence before the Select Committee on the Sydney Branch Mint, as "very extravagant indeed."

The establishment of a regular trade, embracing England Indis, and Australia in a connected process, would also somewhat reduce the price of gold in India and would give increased steadiness to it. Up to the moment of its absorption into the currency, every onnee of gold which reaches the shores of India is an article of morehandise, affected by all the conditions which influence commercial transactions, and it is a well known rule that, while high profits are necessary for isolated, exceptional, one-sided operations in low inverse rate suffices for a settled trade, in which several profits and freights are obtained in a connected series.

While Australian severeigns can now be laid down at Calcutta at Rs. 10-2 0 cach, English severeigns can only be delivered at Rs. 10-4 10 This shows how completely this is an Indian and Australian question in its practical details. Although England is deeply concerned, it is only through the interest she has in her commercial and other relations with India and Australia.

After making all these allowances, the sovereign at 10 rupees would probably still be undervalued as compared with silver—but the use of gold as money is attended with so many advantages, that it would, notwithstanding, be preferred in all but petty transactions. If I am right in this conclusion the object we all have in view will be uttained. When sovereigns are tendered in 10 rupees creditors will get some thing more than they are entitled to and yet sufficient motives will not be wanting to maintain sovereigns in circulation.

My proposal therefore, is that sovereigns and half-sovereigns according to the British and Australian standard, 14ths fine and £3 17-104 and ounce coined at any properly authorized Royal Mint in England Australia, or India, should be declared legal tender in India at the rate of one sovereign for 10 rupees—and that the Indian Mints should be open to the receipt of gold bullion on the above-mentioned terms to be re-delivered in coin at a charge merely sufficient to cover the cost of manufacture which is much below the present charge of 1 per cent. The Mint charge on silver should be maintained at the existing rate

and the cart and its valuable load get to market. Now, the trade of No 1. India is in that condition, it requires the gold coinage to be hooked on to help the silver currency"

My homely illustration had much effect.

To sum up—the wealthy and intelligent Native bankers and meichants here are quite satisfied as to the goodness of the intentions of the Government in this matter; and although they may not see as clearly as we do the urgent necessity of the measure in question, and are by nature disposed to let well alone, they will most willingly and cheerfully see a gold currency supplementary to the present silver currency introduced, and, I may add, they are quite alive to its numberless minor conveniences and advantages. The coin they would piefer is the sovereign, it is to them an old acquaintance, hitherto consigned to the melting pot, but they quite understand the more dignified position it will take when made a legal tender for a given number of rupees. do not seem to care about the half and quarter-sovereign, but I think these might at once be introduced with advantage. Sovereigns are now selling here, scarce as money is, at Rs 10-3, to be made into ornaments after the extraction of the alloy, but as soon as they got into general and extensive use as a circulating medium, they would never, I think, be at a premium, except for exchange purposes.

From Mr. L. C. Probyn, Deputy Auditor and Accountant General for the Punjab,—dated Lahore, 20th May 1864.

When you spoke to me about making the English sovereign a legal tender in this country, and asked me to ascertain the probable effects of the measure in the Punjab, I was in hopes that I should have an opportunity of consulting some of the Umritsui bankers on the subject. I am sorry to say, however, I have been unable to go over to Umritsui, and my enquires have therefore been confined to the bankers of Lahore.

Of course the market value of the sovereign up here fluctuates considerably. So far as I have been able to ascertain, it sometimes, though very raiely, gets down to Rs 9-14, and sometimes, though very rarely, gets up as high as Rs 10-8, but its general price is Rs 10-4, 10-5, or 10-6. The present rate is Rs 10-4. The fact appears to me that though gold up here is in itself more valuable than gold in Calcutta,

1 well being and advancement of the empire, that all contracts and engagements existing should be legalized in gold at the equivalent of Rs. 10 to each sovereign

It seems to me that holders of Government Paper and Securities of every kind will rather benefit by this arrangement, masmuch as gold will be more valuable than silver, till an absorption of the latter takes place, and thes, if silver should for the nonce rise in value, fresh importations will keep it at an average rate

From MR Neale Porter, Scinde, Punjab, and Delhi Bank Corporation, Limited, Unritsur, to Sir C E. Treveltan,—dated 20th May 1804

At the request of Mr Macleed the Manager of this branch has lately been collecting information about the gold comage Laowa and in use here. All the particulars he has obtained will no doubt with much official information reach you through the Financial Commissioner. I will merely state this mach, viz., that two days ago I had at the Bank a great gathering of city notables, town councillors. Honorary Magistrates &c. men all interested in trade and banking and on the same day an equally numerous attendance (of course by invitation) of Marwarries and bankers generally

I told them that, for the general convenience of trade and commerce, and for the good of the empire at large—for they must understand all creation did not consist of merchants and shroffs—the Government had determined to extend, by a system of circles the Government paper currency, and, in addition, to establish a gold comage, which should be a legal tender, that this gold comage was not to displace, but to assist, the silver comage, and that it would be gradually issued that it was to be introduced because it was impossible the increased and increasing transactions connected with the enormous agricultural and commercial (internal and external) business of the country could continue to be carried on satisfactorily unless assistance was given to the one silver currency

' If ' I remarked "a man has a cart heavily laden with grain and cotton, and his horse can no longer draw it, he hooks a donkey on to help,

From D. F McLlod, Esq, c B., Find Commr. in the Punjab, to Sir C E Trevelyan,—dated Lahore, 24th May 1864.

I have deferred replying to your letters until I could reply with N_0 1 some confidence in regard to the prospects of a gold currency if introduced here, and I now proceed to reply to your several queries, in the order in which you have asked them.

First -Whether a gold currency, in addition to the existing silver one, would be acceptable? This is a question to which it is exceedingly difficult to elicit a satisfactory answer, as the ideas, even of the banking classes, are exceedingly hazy on the subject, and in so far as I can penetrate their thoughts, they cannot realize the effects likely to spring from gold being declared a legal tender, at a fixed value with reference to the Assuredly, however, they evince at present no dislike or apprehension when the suggestion is made to them, but, on the contrary, seem rather to like the idea of gold becoming abundant, from whatever cause They seem inciedulous as to the possibility of the relative value of the two metals being maintained at an absolutely uniform rate by the fiat of authority, instancing, as proof to the contrary, the fact that, although we issue copper at the late of sixty-four copper pice for the rupee, their money-changers invariably realize batta, on giving change for a rupee, and the amount of this batta values with the abundance, or otherwise, of copper current com available in the market at the time. The same, they conceive, must take place, when change is given for a current gold coin, and they are probably not far wrong, but past experience does not lead them to anticipate that the fluctuations in relative values will ever be very great or permanent

Secondly — What form and value would be most suitable for the gold currency? They all unhesitatingly prefer the sovereign at 10 tupees, and half-sovereign at 5 tupees, both here and at Umritsui. The quarter-sovereign they do not seem to fancy much. Their reasons for the above preference are, that it is the coin now most familiar to them, being by far the most abundant and almost the only one now employed systematically for equalizing the exchange, and that, as their system of enumeration is by decimal progression like our own, (though the fractional portions of the coins, weights, and measures are not so graduated,) this value of coin will be more convenient than any other. It is also a handy and hardy description of coin, the ments of which, in this respect, they appreciate.

I just in the same way as silver is its relative value to miver, which con stitutes its money or market value, is a trifle less here than in Calcutta and Bombay The immense umount of gold which has lately been unported into the Punjab is not owing to gold being worth more money here than there, but to money itself being dearer, and to gold, which has moreover peculiar families for being converted into money, being so much ensur of transport than silver To illustrate my meaning—the banker who last February got up 5,000 sovereigns from Bombay to Umritsur, did so, not because these severeigns were worth more rupees in Umritaur than in Bombay, but because the rupees they were worth in Umritsur were of greater value to him than the same, or even a little larger, number of rupees in Bombay I mention this because I think you talked of the sovereign being dearer here than in Calcutta and Bombay On some occasions, indeed, the sovereign with all other gold coins, acquires quite a fictitions value. I was told that when Lord Canning was up here gold coms were in so great demand for nuxxurs &c that the severeign rese even beyond Rs 10-8, but of course this was parely temporary and immediately the durbars, &c., were over, the soverign went down very low

It is difficult to say what the precise effect of the introduction of the sovereign as a legal tender, will be in the Punjah It is, however I think, certain that if the plan be successful in the Presidency office of Calcutta and Bombay it cannot fail to succeed up here. I mean that if you succeed in establishing a large gold correct in those cities, the drain of gold up to these parts will, in a very great measure supplant the draw of silver that has been taking place during the last fow years (The Government alone has been importing into the Punjab more than 50 lakks of rupees £500 000 worth of silver per annum and this in addition to immense importations by private parties.) Even now although there is no gold coin a legal tender the convenience of import ing gold is so great, that large quantities are brought up -much more I suspect, than the actual requirements for ornaments, &c., -or rather I should say, were brought up three or four months ago the demand for money up here has quite gone down as you can see by the result of our sales of supply bills on Calcutta. In fact, the people themselves are establishing a gold currency an inconvenient one, however because its value fluctuates. The facilities for keeping and for carrying about gold coins are very great, and they are therefore very popular with all classes

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190 There are some

APPENDIX TO 1 varieties, of old come chiefly, procurable to some extent, but so comparatively rare that they need not be taken into I will now proceed to enumerate the several kinds of gold com now erculating in the Punjab RESEARCH. (1.90) per Alloy Weight in Tolog. Hashas, and Button. Popular Name. pocount Borlel Mumber

This odd is meetlood by Mr Melvill as a Persian coin, but was not mentioned by my informatt. The entire yearly import appears not to exceed I or 2,000. There is also a Kohmi IIIs, equally rare. These coins are imported exclusively by Cabool merchants to an average extent. of 10 to 20 000 pieces per sanum, or opwards ; the new description being now the most abundant. These coins weed formerly to be largely metted down, Some are probably hearded, but the greater chiefly from Calcutta or Bombay; some are said to come from Shikkyron and some are brought into circulation from old boards. They are chiefly raised for neckhees, and realize Ra. 19-4 per tola, being much above their intrinsic value, but are usually so much cut about, that they usually sell by number are seld to be sent from hence towards Mooling, whence it is believed What is imported comes weight, and not by the plees. Much of what reaches Labors is said to go on to Jummon, where the Maharajah is believed largely to board them. The import of these is now very incomblemble has they largely find their way back to Cabool. bot this is not now the case. 6 Rutteer 4 Rutteer 6 Retters 6 Ruttees (if entire) 8 o 0 4 7 7 0 z z ŧ Bokhera The (new) Bokhara IIIa (oki) Rebookban The Balkhi (now)

BATEM (old)

No 1.

				Mr Melvill speaks also of an Austrian Bâlklii, but what this may be, I am not aware
Russion Volum?	0 6 4	8 1 0	9} Ruttees	Thus, like the Tilas, is introduced exclusively by Cabool traders, to the extent of 5 to 10,000 per annum, though, of late, it has come in to a smaller extent than heretofore. The whole of what is brought is said to be melted down, as the large quantity of alloy in this and the other European coust depreciates it in general estimation in comparison with the rest and below its intrinsic value
				Some information in regard to the gold coins imported from Cabool and the countries beyond will be found in Appendix No. 1 to Mr. Davies' Report on the trade with countries beyond our North-Western Frontier, where, it is said, that two lakins of rupees' worth of Butkies, or Venetian Ducats, are exported yearly into Hindoostan, but I faney the above coin and the Bokhara Thas are really intended, and not the Bülkli, which, now, at all events, appears never to be imported from that quarter, unless what is said to come from Shikhrpoor may be so considered.
Old Kuldar Mohur, or Ashurfee	1 0 3	20 1 0	Puro	This is exclusively used for necklaces, &c., and so much valued for this purpose, that it sells for Rs 2-12 above its intrinsic value. Being no longer coined, it is more than ever appreciated, and it is said that 2 or 3,000 are bought and sold annually in Labore and Umritsur
				Besides the foregoing old gold mobile, Mr Melvill enumerates in his list 9, the Mahomed Shilu, or Delhi Mobile (No 9), the Nanak Shilu, or Seikh Mobile (11), Lucknow Mobile (12), and Runjit Singh's Mobile (13), others might be named, but they are so comparatively unfrequent that they need not be specially noticed.
Company of the Compan				

Ruttees 1 Mash

Sectal Number

Popular Name, Weight in Toles, and Prosent Value, (1-0) per Toles, and Interest value, (1-0) per Toles, and Interest value, (1-0) per Toles, and an interest value Mohur	Вемин.	A Rattee In Rough Stand's time large quantities of these were introduced; their great presidence of the teaching reflection of the managed managed managed man used largely to perfoly a to be colored. It is now only bought in byterwitiers, on then the balance of trade with departed in mach scaling Lakore. Probably 2 or 3,000 peters on an average may be brought and sold during the year.	98 Buttee This is keryty melled down, so long as the price does not rise above Ik. 15 The anomal keported depends makely on the sits of exchange but does not combarily stored 3 or 3,000 per amone. It is imported chiefly from Cal cents. The new and old longes are allke in raise &c.	These are now by far the most largely imported gold coin, and, like all the estimated and the state of the st	
Mohur Hall	Alloy in Ruttees (1-00) per Tole.	. Ratto	91 Buttees	94 Ruttees	9) Ruttoes
Mohur Hall		4 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	15 3 0	10 \$ 0	o v oi
Mohur Hall	Weight in Tolas, Merha, and Ruttees.		0 11 54	0 8	
		Jepper Mahur	British Indisa Mobur	British Sovereign	Andrailan Socereign

Besides gold coins, gold is imported in the several forms of gold No 1. dust, thin sheets, nuggets, and bars or bricks

Of the former, or gold dust, Mr. Davies (vide supra) says, that Rs 1,30,000 worth is imported annually from the mountainous parts of Tartary and the banks of the Oxus. A small quantity is produced in the Punjab, and large quantities are doubtless imported from Australia and other countries.

Of gold plates, those stamped No 100, contain 1-96 of alloy, those marked No 90, 1-24, and some 20 or 30,000 tolas weight per annum are said to have been imported of late years, though recently their import has fallen off

The quantity of gold in nuggets and bars annually imported I have not ascertained, but the import of all these is from Calcutta, and dependent on the state of exchange. While Mr Melvill's list of gold coins bought and sold during the year shows an aggregate value of Rs. 17,14,930, my informants at Lahore assure me that the yearly value of gold in all shapes, bought and sold at Lahore and Umritsur, amounts to two lakes of tolas, or Rs 34,00,000 in value

The average selling pince of gold seems to be from Rs 17-2 to 17-4 per tola, and in the long run it appears to have always kept pretty steadily at this, although it is always subject to periodical rise and fall, and to more considerable fluctuations when special disturbing causes occur.

In the cold weather, owing to large importations from Cabool and elsewhere, it always falls. Thus last year it fell as low as Rs. 16-12.

During Holkar's invasion in 1862 Sumbut, it is said that all his expenditure was carried on in gold, and it fell in consequence to Rs 14-6 per tola. In Maharajah Shere Singh's time, the desire for hoarding laised its value to Rs 18-8. After annexation, when Government sold off the gold collected in the Durbar Toshakhanah, the value of gold fell to Rs. 16. In the great famine of 1840, its value is said to have risen to Rs 20 per tola, and to have been largely conveyed to Jummoo in exchange for grain.

During the Governor General's visit in 1860, when nuzzurs were in demand, the old Kaldar Asharfee is said to have sold for Rs. 24.

The conclusion which I draw from the foregoing is, that, with the exception of whot is brought into the Punjob or Sindh from Cabool, which is brought by the Loham and other merchants, as being the most portable article available, oil the gold which finds its way into the province is brought to equalize the balance of exchange, being procured by bankers with the utmost facility and confidence by Dowk Banghy Parcels, showing how much more available our cash balances would be if a gold currency were introduced, and how greatly the general adoption of a paper currency would be footbiated.

I gather, too, that in the long run the relative value of gold as compared with silver has continued surprisingly uniform—no sensible deterioration having resulted from the large importations now taking place from Australia. I have no doubt whatever that n much larger quantity of gold is used for making up jewels than formerly, but much less is hearded

I have not sent you specimens of any of the foregoing coms, as I think it probable that most of them you will be quite indifferent about seeing. If, however, you will mention which of them you would like to see, they shall be immediately sent.

In the mean time I send you one of Mûlrûy's gold rupees, which you particularly wished for It was some time before I succeeded in getting it, as they are now very rare. He had in Mooltan some 40 lakks of rupees boarded in gold, and being short of cash wherewith to pay his troops, he is said to have coined the whole into these pieces, which passed for one rupee. On one side the legend is Sat Gûr Sahai, and on the other an emblem which I suppose is intended for a spear head, with the Sumbut year 1905 above it and a legend below, which reads like Sûndar Kâl.

On receiving your letter I wrote to Mr Melvill the Commissioner at Umntsur, which is our great commercial mart to make enquiries for me and report the result, while I made others independently here I annex in original the memorandum and list which he has sent me, which contain more details than I have given you afore

Memorandum on Gold Currency by P. S. Melvill, Esq., Commi. at Umritsur,—dated 20th May 1864.

I convened about a dozen of the best informed merchants and No 1. shroffs of Umritsur on the 19th instant, and made enquiries from them regarding the introduction of a gold currency in addition to the silver currency.

2. They were decidedly in favor of the measure, provided it was introduced generally. The bases of the measure must, I told them, be—

1st.—That Government would take payment in either coin at the option of the payer; the Government, when in the position of payer, exercising the like option.

2nd.—That gold would be a legal tender equally with silver at the option of the payer.

- 3. As to the form of the gold coinage, it was immediately decided that the sovereign was in every respect the most desirable, whether as regards its sterling value or as regards its exchange value. It was also thought without hesitation that the sovereign should be a legal tender for Rs. 10. Half and quarter-sovereigns were also thought necessary; but the quarter-sovereign was evidently named in an uncertain way, under the idea that if Government chose to coin it, they might as well have it.
- 4. A Statement of the gold coinage at present in the market is annexed. From this it appears that sovereigns to the value of a lakh of rupees are imported into Umritsur each month from Calcutta, and that the total value of the gold coins brought to the Umritsur market yearly is Rs 17,14,930. (See paper of calculations appended)
- 5. This value is about four times what it was in the Seikh time, and is to be attributed to the general increase of trade, the demand for gold having increased with the demand for commodities generally.
- 6. The tables, however, have been completely turned against Cabool, whence the mass of gold was procured in the Seikh times. The facilities of communication with Calcutta and Bombay, which are freely supplied from Europe and Australia, have given the precedence to those markets in the supply of gold.

25

- o. 1 7 The general demand for gold which is now ascribed to the zemindars is a very satisfactory proof of the progress of the country in wealth
 - 8 No doubt that the greater freedom with which jowels and prosperity are now openly displayed has a good deal to do with the augmented desire for gold, upart from the advance of the people in material wealth.
 - O It would appear that, in the event of u double currency being established, a large quantity of silver will be brought to the surface in lice of the gold that will be hearded. Facilities will also be offered to trade, which at present, so far as I can learn, derives no assistance whatever from the presence of gold. In other words, gold is nowhere used in the Panjab as a medium of exchange.
 - The evils of u double currency being u single standard value are not likely to be soriously folt in this country so long as the universal love of hearding and ornaments continues provided only that the sovereign be declared a legal tender for Rs. 10 Exchange operations would of course be carried on as at present, subject to the fluctuations of the market, the holder of silver decirous to change it for gold being obliged to meet the requirements of the holder of gold and vice verid. The demand for the precious metals is likely to continue for some time to meet the balance of trade in favor of India. The most acceptable form is that of money and it would appear that the sovereign will be taken as rendily as the rupee, provided it has a fixed value assigned to it as a legal tender

Statement of Gold Coins in the Universe Market, -dated the 20th May 1864

1 Sovereign —Sterling value, He 10 average selling price Ra. 10, monthly import from Calcutts direct, 10,000 sovereigns received by mail cart hy daily packages. The sovereigns have been imported at this rate for the last four or five years merchants import them and sell them to shroffs, who pay for them after eleven days from time of purchase. The merchants pay for them by Government Bills or Hoondees on Calcutta The shroffs distribute the largest proportion to different towns, as Lahore Wuzeernbad Sealkote and the like, and a large

quantity is taken to Jummoo The chief use made of the sovereign No 1. is for conversion into bullion, for ornaments, and wire for working. The zemindars in villages are large purchasers for the former object. The sovereign is also used extensively for hoarding; silver coin being exhumed in favor of the more easily-kept gold coin. The Jummoo and Cashmere purchasers require it for wire-drawing principally. The Australian sovereign is imported as well as the English sovereign. crimination is exercised between them. Occasionally sovereigns are sent to Peshavir from Umritsur, but this only occurs when there is a full in the flow of gold coms from Cabool.

- Bokhara Tilla .- Sterling and selling value, Rs. 6-8 · monthly importation into Umintsur, 2,000 coins from Peshawur. This and the Russian piece, (No 3,) and the Babookhanee mohnr, are brought to the Peshawur market by the Cabool merehants, who have received them in payment for merchandize sold to the people of Bokhara and Persia Peshawur they sell them and proeme Hoondees on Bombay, Calentia, and other places. Some merchants carry the gold coins about with them in India, selling them at various places, but this is the exception Peshawur shroffs dispose of them partly by local sale for conversion into ornaments and for hoarding, and partly by transfer to Umritsin gold of the Bokhara Tilla is very pure, being next to the Jeypore mohur in this respect, and superior to the sovereign.
- Russian Gold Coin .- (Name unknown, called "Roossee" by the Natives) Sterling value Rs 8-6, present selling price Rs 8-6, monthly import into Umritsui, 1,000 coins from Peshawur, contains a great deal of alloy. These coins are disposed of all over the country, almost entirely for conversion into ornaments after being melted and after the removal of the alloy. (See pieceding remarks.)
- Boothee (Belgium coin). (A) Large.—Steiling value Rs. 5, selling piece Rs 5-10, monthly import 1,000 coins. This coin is chiefly brought out from old hoards. It was much approved in the Seikh time by chiefs for hoaiding, and it is from their treasures that they now find their way into the market They are not much melted, but are extensively used for ornaments, such as necklaces, &c , the design being much approved. The principal purchasers are zemindais.
- Small.—Monthly import, 200, sterling value, Rs. 4-14; selling price, Rs 5, used as above, but not so much approved of.

- 5 Jeypore Moher Sterling value Rs. 16 8 selling price Rs. 10,
 monthly import from Jaypore 500 coins. Is the purest coin of all, and
 vance but little in price at different places. Is extensively used by
 travellers, particularly sepoys an their journeys, and is also much con
 verted into arrangents, after melting by zemindars.
 - 6 British Indian Mohnr—Sterling value Rs 15 average selling price Rs. 15 menthly import from Calcutta 200 coins. Is bought chiefly by zemindars, who get their money's worth in sterling gold, and is generally melted.
 - 7 Babookkanee Tilla—Sterling value Rs. 4-12; selling price Rs. 4-12, monthly import from Peshawur 200 ceins. Is a Persian coin (See remarks under Na 2.)
 - 8 Asstrian Boottes (Name unknown) Sterling value Rs 5, and sells for the same monthly import 100 coins from Calcutta. Is suspended as an arnament and is not melted.
 - 9 Mohur Makomed Shaker—Storling value Rs. 15-8 sells at Rs. 15-14 monthly import 50 coins, chiefly precured from old heards, and is bought by travellers.
 - 10 Furrackabades Modur (A.) Old.—Storling value Rs. 18, sells for Rs. 20 being much approved af far pendant arnaments. Manthly impartations 50 coins.
 - (B.) New—Sterling value Rs. 18 sells at the same monthly import 10 or 20, used for ornaments.
 - 11 Namekikakes Moker Sterling and selling value Rs. 14 10 ar 20 coins find their way into the market each month. This is an "Ushrufee and as such is available for presents at marriages, and for payment of dowry. Being cheap, it is sought after for this purpose. In not melted for armaments.
 - 12 Lucknew Moker —Sterling and selling value Rs 16-8 10 or 20 are brought into the market each month. The gold is good, and it is converted into ornaments.
 - 13 Runjest Singk's Moker —Sterling and selling value Rs 16 is very zure.

Memorandum of Calculations.

```
1
    Sovereign
                                    10,000 \times 10
                                                    =1,00,000
                                                                   \times 12 = 12,00,000 No 1
2
    Bokhara Tilla
                                     2,000 \times
                                               6-8 =
                                                          13,000
                                                                   \times 12 = 1.56,000
    Russian Gold Coin
                                     1,000 \times
3.
                                                8-6 =
                                                           8,375
                                                                   \times 12 =
                                                                            1,00,500
                                     1,000 \times
    A Bootkee, Belgium Coin...
                                                5 - 10 =
                                                           5,625
                                                                   \times 12 =
4
                                                                               67,000
                           do ...
                   do
                                       200 ×
                                                           1,000
    \mathbf{B}
          Do,
                                                5
                                                                   \times 12 =
                                                                                12,000
                                                     =
    Jeypore Mohur
                                       500 \times 16
                                                           8,000
                                                                   \times 12 =
                                                                               96,000
5.
                                                     =
     British Indian Mohur
                                       200 \times 15
                                                           3,000
6
                                                                   \times 12 =
                                                                               36,000
 7
     Babookhanee Tilla
                                       200 ×
                                                4-12 =
                                                             950
                                                                   × 12 ==
                                                                               11,400
     Austrian Bootkee
 8
                                       100 ×
                                                5
                                                                   × 12 ==
                                                             500
                                                                                 6,000
     Mohur Mahomed Shahee ..
 9
                                        50 \times 15-8 =
                                                                   \times 12 =
                                                             775
                                                                                 9,300
                   Furruckabadee
10.
     (A.)
            Old
        Mohu
                                        50 \times 20
                                                           1,000
                                                                   × 12 ==
                                                                               12,000
     (B) New
                        ditto
                                        15 \times 18
                                                             270
                                                                   \times 12 =
                                                                                 3,240
     Nanukshahee Mohu
11
                                        15 \times 14
                                                                   × 12 ==
                                                     ==
                                                             210
                                                                                 2,520
     Lucknow Mohur
12
                                        15 \times 16.8 =
                                                             247-8 \times 12 =
                                                                                 2,970
                  Total
                                     15,345
                                                               Total
                                                                         ... 17,14,930
    20th May 1864.
                                                         P. S. MELVILL
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Extract from a letter from the Kurrachee Manager of the Scinde, Punjab, and Delhi Bank Corporation, Limited, to the Managing Director in India,—dated 2nd June 1864.

"Gold Currency" has existed in Cutch for the last seven years. The coin is called "Koree," and is of the value of Rs. 6-12 to Rs 7. Cotton farmers take back the proceeds of their cotton from the ports of shipment in this currency, and it is sold by them to dealers in gold. Much of the gold coin has disappeared, some is supposed to have been melted, but the bulk to be buried and hoarded.

MEMORANDUM.

My opinion is, that the introduction of a gold coinage, confined to the English London Mint sovereigns and half-sovereigns, would be a highly beneficial and economical measure for British Burmah. When an Act of Parliament shall have been obtained, making the Australian sovereign, struck at the Sydney Mint, and which is of precisely the same assay as the London sovereign, a legal tender, then the Australian coin can be received into British Burmah at the same value as the other, but not otherwise, for at present the Australian sovereigns seldem sell for more than two ages each premium, while London sovereigns have gone up occasionally as high as cloven Rupees each, and usually hold a premium in this market of eight annas each, except when a large number is thrown suddealy on the market, as is sometimes the case during the height of the rice export season, when many ships from Europe are here together oven then, they seldem or nover fall below a premium of four agency per sovereign. Such I know to have been the state of things from 1857 until now

I would on no account introduce any other gold coins than the sovereign; others are unknown to the Shans and Burmese, who buy our manufactured goods, and I think it would in overy way be preferable to introduce the Eaglish (and at the preper time the Australian) sovereigns only, rather than gold mohurs or any other gold coins that might be struck at the Calcutta Mint

There can be little doubt, I think, that the effect of introducing a gold currency, limited as I have before said, would be to release much if not all, of the hearded and brited silver throughout British Burmah by sovereigns being made a legal tender for all sams in excess of ten rupees, those who bring down large quantities of rice would be enabled, in a small compass and about their persons, to take back the realizations of their sales more easily than in rupees.

The effect upon trade generally I conceive, would be decidedly beneficial in every way, I think it would partially check the improvidence of the Burman who thinks little of ten or twelve rupees for many purposes but who would reflect somewhat before he changed or parted with his golden coins

I think, moreover, it would be a measure favorable to the country so far as its exchange operations are concerned and by increasing the circulating medium, would ease mercantile operations generally at every busy and pressing season of the year

To Europeans there can be no question that it will be a benefit. They too, will reflect a little before parting with a sovereign or the half in gold, and as assuredly as the establishment of one or two Banks has done much for Bangoon so do I believe that all such imperceptable yet real pressures to economy as are to be found in the drawing of a cheque—inducing as I say economy,—will be beneficial to all classes of the

community. I submit my views with the utmost deference, as the sub- No 1. ject is one on which I write rather as a practical man in the business of life than as a Political Economist, to which science I have given no sufficient study.

Ringoon, 20th June 1861 DONALD MACLEOD

MEMORANDUM

The question as to whether a gold currency is desirable for India generally, has been so fully discussed in the Presidency Towns, and the affirmative so well sustained, that it is not necessary to re-open that question here. Suffice it to say that British Burmah is no exception to India generally in this matter, and the introduction of a gold currency is highly desirable. This being admitted, I have no hesitation in saying that I consider the Euglish sovereign the most suitable com that could be introduced. In the first place, its appearance and intrinsic value are already well known to the community, (who bny great numbers of them to convert into jewellery,) and has therefore great advantages, or, at all events, is free from the disadvantages which attend the introduction, in a country like this, of a new and unknown coin. In the second place, its intrinsic value is considered liere as a trifle over ten supees, and I have no doubt when made a legal tender for that amount, it would be readily accepted, not only for currency purposes, or for conversion as above mentioned, but its comparative smallness of bulk and extreme portability would render it more highly prized than silver coin for hoarding, or conveying from place to place In this way there can be no doubt it would set free much of the silver coin which has disappeared in past years, and which is doubtless stored away by the cultivators and others in the in-The boon to commerce would be very great, for not only would it increase the circulating medium, but as the trade of the country is carried on entirely now by means of haid supees, and must, for many years yet to come, be carried on by means of the piecious metals, to make the sovereign a legal tender would be to substitute a light and valuable medium in place of a ponderous and unwieldy one, -a change the full value of which can only be fully appreciated by those who come daily in contact with the trouble and inconvenience connected with a silver currency

RANGOON, 27th June 1864.

J. C. TODD

APPENDIX No

Value of the Imports of Merokondice and Treanne suto the several Pro- Talue of the Exports of Merokondice and Treanne sedmenes of British India from the United Kingdom and other form the useral Presidences of British India Conntries in each year, from 1847-48 to 1808-04 each gran from 1847-48 to 1808-04	o of the Imports of Merokandres and Treasure sub endmeses of British India from the United K Countries in each year, from 1841–48 to 1808–64	dre and Treasure suto the several Pro- from the United Kingdom and other 1847-48 to 1809-04	the several Pro- igdom and other	False of the Exp from the ser- to the United each year fr	ie of the Exports of Merchandice an from the several Presidencies of Bi to the United Angelom and other C each year from 1817-48 to 1803-09.	ne of the Exports of Merchandic and Treame from the secret Prendencies of Britisk India to the United Angdom and other Countries in each year from 1817-48 to 1803-01
Year	Merchandize.	Treasure.	Grand Total.	Morehandize.	Treasure.	Grand Total
	ż	R.	Rs.	Rg.	Re	R.
1847-48	8,59 76 170	1 97 33 914	19 57,19 084	13,31,23,070	1 42,00 380	14 73,84,350
1848-40	8 84 48,042	4,20 45 033	12 54,03 075	10,08,85 018	2,53 07,125	18 02 82,443
1849-50	10 29 98 886	3,30 08 074	13,00,60 060	17 31 22,003	141 21 76	18,28 35 431
1850-51	11 55,87 888	8,81 18,088	15 37 05 076	18 10 41,400	54 12 801	18 70,54,387
1851 52	18,24 04 908	5 05 20 509	17 29 25,402	10 87 02 537	01 00 880	20,70,83 420
1852-53	10 07 08 016	6 83 13 776	10 00 22 302	20 40,19 330	1 05 52,209	21,51,98,020
1853-54	11,12 26,589	4,87 10 569	15 90 46 149	19,20,51 400	1 48 32,962	20 77,81,368
1854-55	12 74 26 704	2,02 82,583	14 77 99 280	18,02,72,231	1,20 70 346	20 10 42 580
1855-56	13 94 76 570	11,30 12,883	25,24,80 453	23 03,02,682	00 11,769	23,6101,451
1856 57	14,19 45 867	14 41,30,988	28 60 82,855	25,33,81 591	1,25 34,280	20,50 18,811
1857-58	16 27 75,062	15,81,43 590	31 09,18,662	27,45,30,923	82 24 374	28,27,01,207
1868-59	21,72,85 790	18 81 70 700	34,51,50 100	20,80 28,710	00 04,276	30,53,22,985
1850-60	24 26 51,400	19 85 69,685	40 63,21,035	27,00,02,030	02,00 068	28 88 02 080
1860-01	22,72 00 471	10,07 03 596	33 39 93 977	38,07,71,730	1,11 26 857	34,08,08,500
1801-62	22 15,88,981	14,80 03 506	36,06,82,487	35,58,51,285	68 13 862	30,26,05,147
1862-63	22,58 64 557	20 52,34,598	43,10,90 155	47,09,89,691	1.19.10.049	48.70.00.001
1863-64	30,38,48,285	24,81,69,932	55,20,18,217	67,45 97,050	4,03,67,842	71,40,06,801
	_				_	

The details of the last year, 1863-64, are as follows —

		Total	Rs	20,33,12,409	3,03,87,867	7,30,88,600	40,02,03,395	79,73,530	71,49,65,801
RTS.	Treasure	Sılver	Rs	1,78,95,137	39,12,589	8,93,500	1,39,01,902	47,600	3,66,50,728
EXPORTS.		Gold	Rs.	5,99,212	9,312	52,000	30,56,590	:	37,17,114
	Value of	Merchandize.	Rs	18,48,18,060	2,64,65,966	7,21,43,100	38,32,44,903	79,25,930	67,45,97,959
		Total.	Rs	15,35,27,387	2,78,47,372	4,06,65,000	32,60,49,871	39,28,587	55,20,18,217
	Treasure	Sılveı	, Rs	3,32,76,970	99,78,655	83,95,300	10,83,07,813	13,537	15,99,72,275
IMPORTS		Gold	Rs	2,37,93,198	4,89,518	1,08,23,900	5,30,86,926	4,115	8,81,97,657
I	Volumo	Merchandize	Rs	9,64,57,219	1,73,79,199	2,14,45,800	16,46,55,132	39,10,935	30,38,48,285
				;	:	•		:	:
				Bengal	Burmah	Madras	Bombay	Semde	Total

Those which follow include, for the most part, also the in-The preceding Returns relate only to the foreign trade of India terportal or coasting trade

APPENDIX No 2A

Statement in Ingees of the Imports and Axports of Merekandix and Pressure of the Bengal Presidency, from 1860-61 to 1863-61

	I	IMPORTS				EXPORTS	BTE	
Year	Value of		Такмера		Value of		Theasure	
	Merchandize	Gold	Silver	Total	Merchandize.	Gold	Silver	Total
1800-61	12,68 06,714	R. 1,58,08,533	Rt. 3,74 67,941	ĺ	4 3°,36,474 14 86,97 352 15 17 937 1,6.,13,610	15 17 937	1,6,13,610	1,80,31,547
1861-63	11,38,80 064	1,79,06,838	3,83 10 358	í	5,63 07,180 15 46 08,553 13,48,827	13,48,827	89 13,000	1,02,61,836
1863-63	11 41 46 185	\$ 01 01 873	3,02,86,238	ĺ	6,03 86 608 18,37 08,73 15,61,082 1 18 01,469	15,61,082	1 18 01,469	1,33,63,441
1863-64	10 87 33 001	8 69,90,957	3 66,73 414	0 28 93 371	29,71,33,744 19,37,825 2,95,11,140	19,37,825	2,95,11,140	3,14 48,965
CALCUTTA CO	CALGUTTA CURTOR HOUSE							

The 23rd May 1864

J A. CRAWFORD,
Collector of Customs

Treasure 1,20,236 1,42,136 1,42,136 1,46,920 1,46,920 1,55,93,186 1,55,03,000 1,55,03,000 1,55,03,000 1,55,03,000 1,55,03,000 1,55,03,000 1,55,03,000 1,55,03,000 1,55,03,000 1,55,03,000 1,55,03,000 1,55,03,000 1,55,03,000 1,55,03,000 1,55,03,000 1,55,03,000 1,55,03,000 1,55,03,000 1,55,03,000
fe Madras Press F_{XP} fe Madras Press fe induze fe Silver, fe 59,43,93 fe 55,08,415 fe 55,08,415 fe 7,01,186 fe 7.
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1860-61 1862-63 1863-64 * Private Treasure Government Treasure † Private Treasure dovernment Treasure

APPENDIX No 2C

DESCRIPTION OF LINE OF THE PROPERTY OF THE PRO						
		Imposts		M	Ехроптв	
		Treasure, 1. e , Coin and Bullion.	in and Bullion.	Morehandiza	Treature 1 e, Com and Bullion	, Com and
	Morchandize (value)	Silver	Gold.	(Valuo)	Silver	Gold
	ž	됦	Ra.	T.B.	Rs.	2
1860-61	12,32 47,119	3 88 60,900	\$ 60,33,20\$	18 46,52 300	1,00,39,324	25,45,152
1861 62	12,46 13 387	6,64,76,313	2 85 10 425	10,83 24,526	1,32,51,528	37,18,494
1862-63	15,14,53 017	9 00 24 515	9 00 24 515 4 02 41,408	27,80,08,001	2 11,60,250 41,20,165	41,90,165
1863-64	19 47,62 501	11,78,23,302	6,31,16,720	30 54 71,058	1,61,78 460	40,43 683

P 8 -Thus includes the whole foreign tride of the Presidency, along with the trade between the latter and other Indian Presidences excluding, however, the interportal trade of the Bombay Presidency and of the entire trade of Scinds CAMP MATHERAN

OF THE COLDIE, OF COSTOLIS The 12th May 1864.

0

G INVERARITY, Commissioner of Customs

APPENDIX TO MINUTE BY SIR CO.	
TOTAL CHARLES TREVERS	
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2 D. the under-mentioned S. 63-64 Exports Gold value Silvervalue Rs 18,400 17,73,808 5,900 37,32,534 27,38,697 1,27,019 The ent been 1,13,113,113 the 2nd July 1,57,143 The 2nd July Seey, to Gy	Chie
2 D. Ne under-men 3-64 Evorts Treasur The sign 17.75 6,900 37.32 6,900 37.32 8,200 26,65 1,27,011 1,13 317 76,318 90,276 2,02,833 4,95,612 1,157,143 Seey, fo Cr.	;
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APPENDIX No 3

23 Statement of the Silver Bullion received, coined, and remaining uncoined in the Calculta, Madras, and Bombay Mints, from May 1862 to April 1801

Months.	Silver Bullion received in each month.	Amount coined in each month	Total remaining uncoined.
1862	£	£	£
May June July August Soptember October Nevember December	1,111,066 470,370 279 037 100 879 142 070 1 050,353 441 178 1,182,027	701 056 703,011 055 017 781,501 750 228 463,253 878 031 503,707	3,264 781 2 850 232 2 004,756 1 427 293 1 187,015 1 431,874 1 473 105 3,605,894
1863			
January February March April May June July August September October November December	2 500,031 1,610 770 1 702 663 862 072 186 468 61 888 628 604 87 300 31 580 476 428 992 973 1,140,821	777 029 800,485 1 188 446 1,180 032 827,559 1,318 059 1 170 670 705,289 463 798 872 880 847 162 824 588	4,808 003 5 307 521 5 584,533 4,546,290 3,653 380 2,771 295 1 852 835 1,184,800 887 720 1,264,818 2 282 640 2,202,328
1864]]		
January February March April	1 750 847 070 752 2 067 428 1,878,841	1 248 111 1 137 948 1,835 563 1,707,144	2 518,951 2 828,849 3,978 077 3,562,255
Total	21,157 072	29,781,157	66 650,519

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May 1863			32.56,212 9 1	50 (17 77 10 D	e •• i	11-12 0 0 0 11-12 0 0 0 11-12 0 0 0 11-12 0 0 0 11-12 0 0 0 11-12 0 0 0 11-12 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Ar YYSg,	
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September " October	•					1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		- <u>25</u> -
i i	•	•	10,50 147 12 11			4 232 4		c
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March " April "	•		•		1,51 > 15 6	3	2, 1, 0, 0	113 114 25 11
	Total		5,41,28,63 15 8	J,10,01,673 12 0	נמשילהיו ס פ	14,12 13,912 10 1	0 0 (1, 1917	17,4 , 42,625 10 7
	1							
CALCUTTA MINT,	سم		1. B	J. BRIDGNELL.			H HALDE, Mint Master	stor

APPENDIX No 3 B

1B. Statement of Silver Bullion received, coined, and remaining uncoined in the Madras Mint from May 1862 to April 1804

	Amount of Merchants Bullion received.	Amount of Public or Oovern ment Bullion received.	Total Receipts.	Total Coimage.	Balance at the close of each month, including Merchanta and Gort Bullion	
1863.	Ra.	Rs.	Ra.	Re	Re.	
Balance let May 3let May	7,50 400 101 04,5	2,011	2,61,530	1 72,184	8,43,738	The balance in- cludes opera- tive gain and
30th June 31st July 31st August	* 21,0 5 2,81 601 3,38 456	35 013 226 	2,56,998 2,81,830 3,38,438	5,13 144 3,82,800 4,83,000	4,87,507 3,86,212 2,41,727	loss in such month, if bullion has been received
30th September 31st October 30th November 31st December	4,33,816 5, 9118 6,60,814 7,95,869	7,008 714	4 40,823 8 79 118 8,56,814 7 96,583	2,98,283 6,00,816 3,33 000 8 19,000	3,84 213 3 62,874 8,91 427 8 69 015	in the Our rensy Depart- ment.
1863.						
31st January 28th February 31st March 30th April 31st May 30th June 31st July 31st August 30th September 31st October 30th November 31st December	12,22,370 2,30,651 3,67 83 4,23,269 61,463 2,43,589 3,55,679 2,19 503 47 91E 2,73,147 67 299 77 470	1 43 717 2,104 50,04 497 18,790 1 028 16,871 25 659 1,060	13,66,087 1,32,754 53,72,290 4,73,769 80,253 2,46,617 3,72,350 2,19,610 45,587 2,74,207 6,299 77,470	6,89,000 9,87 000 8,03,000 5,44,367 8,00 000 11,50,352 13,00,648 12,50,386 8,38 514 68 402 3,36,000 7 02,652	15 45 923 7 91 093 53,58,964 52,42,385 45 22,670 36 18,914 26,90,583 16,59,841 6,69,737 10,82,926 8 14 243 1,88,942	
1864				17 00,000		
31st January 29th February 31st March 30th April	3,01 485 20,663 18 42,581 4,86,312	1,514	43,53,587 25,662 18,42,581 4,87 826	19,76,000 8,85 130 17 68,518	28 42,731 8,93,311 18,50,855 5,70,276	

FORT ST GLORGE MINT, The Std June 1863 J C CARPENDALE

Mint Master

APPENDIX No 3C.

Statement of the amount in Rupees of Silver Bullion received by and coined No 3C in the Bombay Mint, monthly, from the 1st May 1862 to the 30th April 1864, and of the balance uncoined at the close of each month.

Months	The total amount of Ill ver Bullon received in each month since the 1st of May 1862	The total amount coin ed in each month	Approximate amount of Bullion belonging to Merchants in course of receipt.	Bullion belonging to Government	Bullion belonging to the Currency Depart- ment.	Total remaining un-
1862.			I	п	III	!
May Juno July August September October November December	75,06,950 21,70,290 702 757,306 2,42,833 85,14,800 38,16 165 89,01,182	46,08,000 42,08,000 52,14,030 43,00,877 40,00,000 87,25,002 33,26,701 27,00,000	21,27,440 041 8,72,320 34,65,066 5,28,211 3,01,330 1,45,04,827	99 65 583 40 11,159 20,11,759 64,758 60,847 2,48 658 10,38,082 78,30,214	1,63,87,542 1,42,14,265 1 10 00,600 03 52,807 40,87,612 03,00 000 79 00,000 79,00,000	2,24,80 571 1,82,20,365 1,38,84 079 94 17,125 52 25,125 1,00,76 869 93 30,368 8,03,34,041
1863						
January Fobruary March April	1,43,52,478 1,0°,85,217 88,82,887 72,21,154	51,00 030 53 00,000 70,03 658 92,00,001	00 50,673 68,58,473 45,21,041 25,02,536	1,40,91,661 1,70,76,878 1,86,06,017 1,10,24,428	1,00 00,000 1,30 00,000 1,30,00 000 1,30,00,000	3,40,42 934 3,70,35,951 3,61 27,148 2,71,26,064
Total Rs.	7,28 01,572	0,00,67,898	4,38,23,470	8, 18, 48, 084	13,06,43,780	25,63,15,840
Monthly Average.	60,74,207	50,55,058	36,51,955	68,20,678	1,08,80,082	2,13,59,611
1803. May	17,03,736	53,01 571		80,88,174	1,30 00,000	2 10 88,174
June July August Septembor October November Decomber	2,88,511 54,19,846 1,09,433 2 65,278 44,88 846 85,46,244 1,02 80,593	67,01 875 70,01,895 58,01 708 89 11,500 96 00,647 80 01,278 74,02,440	37,67,985 15,51,964 42,81,243 76,57,064 45,25,492	10,82,286 1,02,083 2,11,515 66 218 4,48,543 8,82,087 13,75,180	1,30 00,000 1,80 00,000 72,00 000 37,00,000 42,00 000 1,02,00 000 1,17,00,000	1,84,40 221 1,31,02,082 74,11,515 53,18,182 89,29 596 1,81,89,151 1,76,00,072
1864						
January February March April	1,02,80 S81 68 98,128 78,76,593 90,52,965	75,02,300 78,09,092 90,02 596 90,02,943	62,20,426 1,09 30,786 1,34 49,027 1,38,63,078	41,53,185 32,44,715 21,21,308 21,74,273	77,00,000 77 00 000 77 00,000 77,00,000	1,80 78,611 2,18,76 501 2,32,70 335 2,87,38,251
Total Rs	6,52,71,049*	7,60,80,997	6,62,87,965	2,89 99,816	10 08 00 000	19 70,37,281
Monthly Average	54,39,254	63,86,666	55,19,830	19,90,948	89,00,000	1,64,19,778

^{*} Besides this, Silver Bullion of the value of about 86 lakhs of rupees was withdrawn after tender at the Mint, doubtless for the purpose of being sent up the country, and bullion of the value of about two lakhs of rupees was rejected as unfit for coinage

Note —The amount of "bullion received" represents the amount of Mint Cortificates granted, plus Mint-Duty, Refining Charges, &c. The amount "Tendered" in the three years from the 1st May 1861 to the 30th April 1864 was as follows —

Steinment in Rupess of Silver Bullion lendered for coinage to the Bowbay Mint, manikly, from the 1st May 1861 to 30th April 1861

Taus) je	į,	July	умдау	September, October,	October.	Normber. December.	Doesenber.	Jensery	Paternery	Kerch	Tady	3
	á	A	ā	ā	đ	đ	ä	ā	ā	됥	뒲	ā	컕
1 50-041	- 14,14,000 44,74,613	44,74,613	19,760	80171	11,41,000	15,04,193	कि.फ्रा	100,117 72	876,23,04	84,79 430	វា វា	56,91,914	55,91,914 4,94,34,819
11-11-11	CB, CB, DA	6,741	47,000	1,51 500	34,97 647	64,44,911	200 00 15	1 म्हासमा	813,613	91,81,00	g tig	20,53,753	6,64,63,013
17077		472.678 40,00,000	11,90,00	ווייינין	14,11,664	W. L. S.	क्षाच्या प्रसाधक	87610	000 1100 1100 0011 1100 1100 1100 1100	100 erit	1,00,47,000	44.02.000	7 09,24,293
Today	Total (20,65,944 64,65,449	N, II, A	n,m,d	411,111		1,67 15,675	1,84,85,85	THE TATE OF THE PARTY OF THE PA	437 38,649	479,00,C3	2 14,13,455	1.18.14.00	S, EL, EN, UH
Armys B.B.(13 B.17 bb	10°8'tt	25,17 846	4,00 714	1,88,627	22,64,307	63,56,402		1,14,42,250	2,44,519	705, 18,587	H)'%'S	46,18,333	
						Ž.	Patheated.						

25th May 1864

S D BIRCH,
Depy Anditor and Accountant Gent

APPENDIX No. 4.

From Captain H. Hade, R. E., Master of the Calcutta Mint, to Sir C. E. Trevelyan,—dated 7th June 1864.

I enclose you a copy of the proceedings of the Magistrate of Howrah No 4 in the ease to which the statement you enclosed referred. You will see that no Gold Mohuis were found, though dies, of which I send you a fac simile, were.

I can give you all the information you require from two other eases that have come under my notice, and of which all the coming material was sent to the Mint

In May 1861, the Commissioner of Police sent to the Mint 953 $\frac{1}{4}$ counterfeit Gold Mohurs These coins appear to have been counterfeits of new standard Sicca Gold Mohurs, and were nearly standard weight. The assay gain $4\frac{7}{8}$ Worse, and the intrinsic worth was 946-7-10 Gold Mohurs = Rs 14,197-5-6

In July 1863 the Commissioner of Police sent 162\frac{3}{4} counterfeit gold coins, the assay of which was found to be 6 Bettei. The coins appear to have been counterfeits of the old standard Sieca Gold Mohui, and were nearly standard weight; and their value was 179-13-5 Gold Mohurs, or Rs 2,697-9-3.

The comers stood to gain in their transactions as follows —

```
May 1861 -9531 counterfeit new Sd S.
                   G M, assay 47 W
                              Co's G M
                                             946 7 10 at 15 = Rs 14.197
                                                                                6
             953\frac{1}{4} genuine
                              ditto ditto
                        standard = ditto 1,002 0 0 at 15 = Rs
                                                                    15,030
                                                                                0
                                               Gain to comer
                                                                Rs
                                                                        832 10
But the market value of these G M =
  Rs 17 953\frac{1}{4} at 17 =
                                     Rs 16,205
                                                  4
                                                     0
    D D standard value ==
                                         15,030
                                                  0
Additional gain on enhanced price
                                     \mathbf{R}\mathbf{s}
                                           1,175
                                                             \Rightarrow Rs
                                                                      1,175 4 0
                                                   Total gain . Rs.
                                                                     2,007 14
July 1863 —162 counterfeit old standard
                  S G M, assay 6B =
                                             179 13 5 at 15 = Rs
                                                                     2,697
                                                                                3
            162¼ genume ditto ditto 7₺
                                            182 15
                                                     0 \text{ at } 15 = ...
                                     ditto
                                                                     2,761 14
                                                                                0
                                              Gain to coiner . . Rs
                                                                        64
                                                                                9
But the market value of these G M =
  Rs 20 162\frac{3}{4} at 20 =
                                      Rs 3,255
                                                     0
     D D standard value =
                                          2,761 14
                                                     0
Additional gain on enhanced price = Rs.
                                            493
                                                     0
                                                             = Rs
                                                                       493
                                                                                0
                                                  Total gain ... Rs
                                                                       557
                                                                                9
```

t. Thus showing n gain on the transaction of May 1861 of Rs 2,007 14 6, and on that of July 1863 of Rs 557-6-0, calculating the telah of standard gold at Rs 16, but if something more were paid, i o, market rate, the first transaction would only be affected to about Rs 150, and the second to about Rs 25

I do not doubt but that Gold Moburs of ancient date that be a fictitious value are constantly counterfeited in their full intrinsic value

(The following is that part of the Proceedings of the Magistrate of Howard, in the Suburbs of Calentia, which relates to this subject)

Some short time afterwards, one of the Constables observed the prisoner, Sreedhur's wife, moving in a manner which apparently excited their suspicions, and following her, found her hands covered with dust on being charged with attempting to conceal something she produced from behind some bricks in the wall four different dies and a number of implements used for the purpose of sinking dies; all these dies are intended for coining Mohurs. The evidence of the witness Ram Kisto, who states that he has worked for the prisoner Sreedhur for four years, appears to prove that the coining of Mohurs was the business chiefly carried on by the prisoner

From Captain Tighes, Offg Depy Commer of Ambala, to Colonel Sie Herhert Kowarden, K. O. B.,—dated 24th June 1864

I meant before this to have reported officially on the Jugadree coining case, but the report was delayed owing to your kindly allowing me to stay up here a few days.

As, however, you will no doubt be beneged by numerous petitions from the parties concerned, it is right you should have a sketch of the proceedings as soon as possible

About an months ago, there was a squabble among the principal comers of Jugadree, and one of the number gave certain imperfect in formation to the Tehseeldar Burkut Ali who told Parsons and myself There appears to have been some suspicion among the parties concerned that all was not right, as for some time we could get no information of any more Mohurs coined or sent away. On the 11th, however, Pearson received a message from the Tehseeldar, begging him to come to Juga- No. 4. dree. He went, accordingly, unknown to any one, and posting sentries about, cleared the houses of the suspected parties in the morning, making a simultaneous search. The result of the search showed that the parties had been warned. In only one house were any of the alloyed Mohius found, and no dies were produced. We believe this information to have been given by one Deputy Inspector Sungut Sing to Daveechund, who, the night Parsons came in, made a precipitate retreat into Puttialah, hardly halting at Amballa. The Tehseeldar had, on sending for Parsons, received information of the despatch of a consignment of 163 Mohius to Simla, and arrangements were made to arrest the messenger. This was done at Kalka, and the Mohius found on the messenger, they were examined and all found alloyed.

Immediately on receiving Paisons' information, with a request that I myself would come to Jugadiee also and conduct the investigation on the spot, I did so, and examined the witnesses and tools in presence of the accused.

The result of this examination shows clearly—

That for the last ten years, Gold Mohuis have been regularly manufactured at Jugadree by several different parties, that these Mohurs are made to resemble the old Jeypore Mohur of the years 8 to 13, but, instead of being of the value of Rs 16 to Rs 16-2, are really worth little more than Rs. 14 to Rs 14-8 The profit being divided thus —

Goldsmith :. 4 annas fixed fee
Comer shroff 8 do. to 10 annas
Utterer . 8 do. to 10 do

There are four principal coiner shroffs at Jugadree—Zahiioo, Narayundás, Deen Dyal, and Adjoodhia, the three first are all under trial, the fourth is the original informer

All these men have regular dealings with the more respectable bankers, to whom the coining is well known, and who, accordingly, buy Mohuis from these men for the purpose of uttering them principally in the hills

Whilst the price of a real Jeypore Mohur is from Rs 16 to Rs, 16-2 at Jugadiee itself, they buy these alloyed Mohurs for prices ranging from Rs. 15-3 to Rs 15-12, selling them for Rs. 16 at Simla and

4. Mns-corio, where there is a great demand, owing to the number of ser vants and men employed on the Thibet Road, who save their wages to purchase Mohurs as more portable, and also to the hearding propensities of the Hill Rajahs. I cannot yet calculate the exact amount coined, but Dien Dynl, one of the course, who has confessed with the bope of saving his sons, states that a profit of Rs. 4,000 a month is easily made. This would give an out-turn of about 2,000 Mohurs a month, but I doubt quite so many being coined, at the same time, I believe 1,000 may be calculated on

These Mohurs are principally made out of British sovereigns, tech nically called by the shroffs dilmdilds, and this is I think, the most important feature of the case as pointing to the absolute necessity of some Government gold come.

Surely, if it is worth while for the Jugadree people to mutilate sovereigns and turn them into Gold Mokers Jeypooree, which pass throughout the planes for Rs 16 with very eight fluctuations it would not be difficult to make the sovereign itself a legal tender at Rs 10

The coining as far as I can learn, is not confined to Jugadree, but is also practised at Delhi, Shamlee of Saharunpoor Roorkee, and other places perhaps Umritsur

During the examination the accused implicated each other and many confessed and with regard to the principal people arrested the following are the heads of evidence. It must be remembered that the books have not fully been gone into yet —

Darrectund banker (Durbaree *) not present at original enquiry having bolted to Puttinlah, returned on the evening of the second day

Mootaruddee Mul brother and partner of Daveechund present Books examined show regular dealings with the coiners Zakiroo and Adjoodkia and purchase of (on a currory examination) 500 Mohurs at low rates from the same transmitted to Simla to Mohun Lal the agent there, also a brother and member of the firm

In December 1861, Mahomed Rusheed then Kotwal of Simla now Tehsildar of Kurrur got information that Daveechund's firm at Simla were in the habit of dealing in alloyed Mohurs He, in consequence,

That is a person of such consideration that he is on the list of those admitted to the Governor General's Durbar

purchased sixteen of these Jugadree Mohuis, and brought them to his No. 4. superiors; the matter at the time was hushed up, and nothing more was said about it. But it is important now as proving the guilty knowledge of Daveechund's firm, who, after this warning, continued their dealings with the coiners

The next principal person concerned is Futteh Sing, Khatree, head of one of the chief families represented by Davecchund, Futtehchund, and the Amballa Treasurer This man's books show distinctly the delivery of sovereigns to the corners, and the receipt per contra of Jeypore Mohurs. They also show a particular transaction in which Futteh Sing went partners with Deen Dyal, corner shroff, in a particular remittance of Mohurs to Teeree, in Mussooree, which proved a loss

Dogar Mul, Khatiee, brother-in-law of Daveechund, admits know-ingly giving a certain number of sovereigns to the coiners, and receiving back the same in Jeypore Mohurs made up on the spot.

The Amballa Treasurer's son's books, at Jugadree, also show regular transactions

I have permitted several of those concerned to turn Queen's evidence, and the case is now nearly complete against the principals

The Amballa Treasurer admitted to me that he had known of this coining some time, but did not report it, as he thought I had not time to hear him!! He is a very respectable old man, and I do not believe himself concerned, though all his family are

When Parsons had searched the houses and returned to the bungalow, the people of the city, headed by Futteh Sing, were most insolent and tried to intimidate him. They behaved excessively badly. None of the dies, save three of Narayundass's, have been delivered up, and these were got by the informer by stratagem. I accordingly sent for the whole punch, consisting of some thirty to forty of the principal Bunnyas and Khatrees, and told them I considered them all equally concerned, and if the dies were not produced in four days, I would recommend an extra Police force, at a cost of Rs 150 a month, being quartered on them. As there are at least seventeen to eighteen dies in the town, and they have not been delivered up yet, I shall, when I go down, make the threatened report.

I have above principally alluded to Jeyporo Mohurs uttered in the hills; but Moorshedabad Mohnrs are also made up and uttered in the plants.

APPENDIX No 5

FORT ST GEORGE, REVENUE COMMUNICATION OF 2ND JULY 1858

From H D PRILLIPS, Esq., Collr of Tanjore, to Secy to Board of Revenue, Fort St George,—No 108, dated Tanjore, Point Calimere, the 10th June 1858

Owing to the apparent scarcity of silver coins in the market, the Morassidars of this district feel considerable difficulty at present in meeting the usual demand on account of their monthly kists. Several complaints have already reached me on the subject, and I have reason to think that the collections are impeded from this cause.

- 2 There seems to have been a great influx of sovereigns in the district the gram exported from the Tanjore Ports to Colombo and other places being generally raid for in gold. These coins, which herotofore were seldom or never procurable unless at a premium, appear new to be saling at a discount of from one to two mans a piece.
- 3 Under these circumstances, the Merasadars have requested that my Tehsildars may be allowed to receive gold soveragas at par 1. s., at the value of Rs. 10 each, in payment of the Government revenue.
- 4 The Notification of the Government of India, republished in the Fort St. George Gasette, page 2 of 1853 prohibits 'the receipt of gold coins into the public treasuries of Government.' But as it is of the utmost importance that every facility should be afforded to the ryots, in a senson like the present, in the payment of the public revenue. I have deemed it necessary to lay the subject before the Board of Revenue, in order that they may take such steps in the matter as may seem to them called for
- 5 It has occurred to me that the Board might desire to know how many sovereigns on the aggregate have been proffered for payment of the ordinary kists and I have sent a Circular to the Tehnaldars to en deavor to ascertain the total should they have kept a note of the matter. But to await the result of my application to them would have delayed this communication and after all the needful information might not have been obtained.

Read the following Extract from the Proceedings of the Board of Revenue,—No. 2168, dated 22nd June 1858.

Read letter from the Collector of Tanjore, dated 10th June 1858, No 5

10 Cons 22nd June 1858.

10 commending that, owing to the scarcity of silver corn in the province, sovereigns may be received in payment of revenue

(Here enter No 108)

The Collector states that sovereigns have been received by the Meiassidars in large numbers, from Ceylon, in return for rice exported

2 The Board resolve to forward Mr Phillips' letter for the orders of Government, and recommend that he be permitted to receive sovereigns at par till further orders

(A true Extract)

(Signed) J. D. SIM,
Sub-Secretary

Order thereon; No 870, dated 21th June 1858 Referred to the Accountant General for immediate report.

(Signed) W H BAYLEY,

Actg Secy to Gott

Read again Extract from the Proceedings of the Board of Resenue, dated 22ad, and recorded in Diary to Consultation 29th June 1858, No 1995

Read also the following letter from G. L. Phindengast, Esq., Acett. Goal, to Actq. Siege to Gott of Fort St. George, in the Revenue Dept.,—No. 72, dated 25th June 1858.

I have the honor to acknowledge the recent of the order of Government, dated 24th instant. No 870, referring to me for report Extract from the Proceedings of the Board of Revenue on a letter from the Collector of Timore in which he requests permission, in consequence of the sawing of silver coin in his district, to receive payment of revenue in a xerogre. The Board observed mineral that he be permitted to receive then a partial further orders.

- 2 Under the Notification of the Government of India, dated the 22nd December 1852, to which the Collector of Tanjore has referred, the receipt of gold coin into the public trensuries of Government is prohibited, and it may therefore be proper to communicate with the Supreme Government on the matter, but, under the circumstances represented by the Collector, I think he may safely be permitted, as a special case, to receive sovereigns into his Treasury in payment of revenue, pending the proposed reference to the Supreme Government. I would also suggest that they be received, as recommended by the Revenue Board, at the par rate, 1 c., Rs 10 each.
- 3 These sovereigns, when received by the Collector of Tanjore, cannot, under the existing rules, be usued by him, and will therefore form part of his specio remittances to the General Treasury at Madras. On being received into the General Treasury here, I would beg to recommend that the Sub-Treasurer be authorized to sell them, but not at a less rate than that at which they may be received by the Collector As the market rate of sovereigns has not within my recollection, been lower here than Rs 10 per sovereign I do not anticipate that there will be any difficulty in realizing Rs. 10 each. The present rate of sovereigns in the Madras market is about Rs. 10 2-0 each. The excess may be credited to "Profit and Loss" in the accounts of the Sub-Treasurer

Order thereon No 888 dated 29th June 1858

Resolved that a copy of the Accountant General s letter be furnished to the Collector of Tanjore, through the Board of Revenue for his information and guidance.

2 Before addressing the Government of India on the subject as suggested by Mr Prendergast in para. 2 of his letter the Government are desirous to know if the present contingency is likely to continue for any length of time. The Board will furnish full information on the point, and state also what has contributed to the peculiar scarcity of silver coin in Tanjore at the present time.

(Signed) W H BAYLEY,

Acta Secu to Gord

From H. D Phillips, Esq., Collr of Tunjore, to Secy. to Board of Revenue, Fort St. George,—No. 115, dated Kodicurray, 23id June 1858.

Adverting to my letter of the marginal date, I have the honor to No. 5.

enter below a Statement of the number of sovereigns which appear to have been offered in payment of kists due for the current Fusly in fourteen of the sixteen

2. I have not yet received a Return from Talooks Tritrupoondy and Puttoocottah, but a representation has reached me from certain merchants in the latter division asking why the gold coins, which are current across the Bay in the limits of the Ceylon Government, should not also be received here by Government Officers in liquidation of Government dues for Salt and Sea Customs—They assert that the exception taken to sovereigns is productive of much pecuniary loss to them, and beg that it may be abandoned.—

Talooks which compose this district.

					S	Sovercigns.
Numullum .						2,000
Keevalore						6,000
Tranquebar						100
Munnargoody					•	2,500
Trivalore		•				6,000
Tuvady						200
Parellum		•••		•••	٠	1,000
Volungamann						870
Myaveram						1,000
Codyvassel	•		,	•		500
Papanassem					• • •	200
Shoully	•••		•••		••	1,000
Combiconum		• •				100
Coeffilem					• •	7,000
				Total		25,170
					-	

222

From II D Phillips, Esq., Collr of Tanjors, to Secy to Board of Revenue, Fort St George,—No 117, dated Kodientray, 25th June 1858

In continuation of my lotter marginally noted, respecting the extensive exculation of sovereigns, which, how 23rd June 1858, No. 115 over. I am precluded from acceptance in pay ment of the ordinary revonue domand, I Soverelana Amount reported 28,470 have the honor to state that the amount which appears to have been offered in Talook Tritrapoondy 3,000 Puttoocottah 3.000 Tritrapoondy is £3,000 and that in Puttoo-Total 84 470 cottah it may, I think, from what the Tehsil-

dar states, be calculated at a similar figure.

FORT ST GEORGE, REVENUE CONSULTATION OF 20TH JULY 1858

Read the following Extract from the Proceedings of the Board of Recense.—No 2288, dated 2nd July 1858

Rend letter from the Collector of Tanjore, dated 23rd June 1858, sending, with reference to his former letter a Statement of severeigns offered in payment of kists for the current Fasly

[Here enter No 115]

Read also letter from the same Officer dated 25th June 1858
reporting the amount of sovereigns offered in
payment of kists at Tritapoondy and Puttoecottab Talooks.

[Here enter No. 117]

Submitted to Government with reference to the Board's Proceedings dated 22nd June 1858, No. 2168

(A true Extract)

(Signed) G S FORBES

Secretary

Order thereon, No 960, dated 14th July 1858

The Collector of Tanjore, in one* of the letters submitted with the No 5

Board's Proceedings above recorded, states that certain inhabitants represent that the exception taken to the receipt of sovereigns in liquidation of Government dues is productive of much pecuniary loss to them, and beg that the restriction may be abandoned. The Government will take the subject into consideration on the receipt of the report called for in Extract Minutes Consultation, dated 29th June 1858, No. 888

(Signed) T PYCROFT,

Chief Secretary

From A. Hathaway, Esq., Actg Collr of Madura, to Secy to Board of Revenue, Fort St George,—No 164, dated 9th July 1858

With reference to the Board's Proceedings of the 1st instant, No 2278, I have the honor to inform you that no sovereigns have been tendered in payment of revenue, as the order prohibiting the receipt of gold coin in the public treasuries, is generally known among the community. Gold coin has certainly been introduced into this district to a large extent, masmuch as a sovereign can be procured for Rs 9-14 in the Madura market.

From D Mayne, Esq., Actg Collr, Tencausy, to Secy. to Board of Revenue, Fort St. George,—No 236, dated 16th July 1858

With reference to paragraph 4 of Extract from the Pioceedings of the Board of Revenue dated the 1st instant, requesting to be informed whether sovereigns have been tendered to any extent in payment of

Nelhambalum
Vully oor
Streenycoontum.
Punchamahl
Bremmadasum
Ottapedarum
Sauttoor
Streevillypoottoor, and
Sheukerninareoil

revenue, and whether they are known to have been largely introduced into this district, I have the honor to inform you that sovereigns are imported from Ceylon, and introduced largely in the first six, and to a small extent in the last three Talooks named in the margin. If not prohibited by law,

sovereigns, it appears, would be tendered in payment of revenue, but they are now sold for the current silver coins.

0 5

Vedoogrannum Tencausy Sharenmadary and Nangoonary 2 It is reported that sovereigns do not abound in four of the Talooks* in this district.

From II. D PRILLIES, Esq., Colle of Tanjore, to Secy to Board of Revenue, Fort St George,—No 150, dated Point Calimere, 24th July 1858

I have had the honor to receive an Extract from the Proceedings of the Board of Revenue, dated the 1st instant, No 2278, making certain inquiries in connection with the present scarcity of silver coin in the Tanjore Province

2 The Board are aware that the great staple produce of this district is paddy, and that a large trade in it is carried on with Ceylon The shipments were usually paid for at Colombo by Hoondies on mer chants at Madras, who again remitted the money to this district by Accountant General's bills, which were cashed at the local treasury From all the inquiries I have been able to make on the subject, it appears

Amount of bills drawn.							
		Co.'s Rs.					
1852-53		19 67 470					
1853-54	-	16,66,166					
1854 15		21.39 467					
1885-56		13,96,329					
1850-57		14.15 800					
1867-69		13 45 311					

To be on able to make on the subject, it appears
that, owing probably to the late failures in
the commercial world, and the consequent
general depression of trade, bills are no
longer preferred, but that payment is received at once in cash for the exports and
that thus sovereigns the com in which those

payments are made, find their way in large quantities into this district. This belief seems so far correct that there is actually a great falling off in the aggregate amount of the Accountant General's hills drawn on my Treasury, which is pro testo specie withdrawn from local circulation.

- 3 Another mant cause of the scarnty of silver in the district may be traced to the extinction of the Tanjore Raj and with it the disappearance of numerous sources of expenditure. Ten lakes of rupess used to be annually disbursed as the Punjum Hissah from the Public Treasury, all or almost all which money was of course expended in the district, and thus thrown into circulation. This, under the existing state of Tanjore affairs is no longer the case to the same extent.
- 4 Latterly, too, the outlay on account of Public Works has been greatly curtailed owing to the restrictive orders on expenditure an important change of the kind seems to me to be another of the causes which have tended to produce the present scarcity of the usual circulating medium

- 5 In proportion to the diminution from these causes in the local No 5 expenditure is the increase in the lemittances to Madras of public cash.
- 6 It is very difficult to form a safe opinion whether the influx of sovereigns is likely to be constant, but as the export trade of the province is carried on chiefly with a Crown settlement, where that coin is the medium of exchange, and as a large portion of the lower classes of the population emigrate from this district to Ceylon and the Mauritius, and usually return with their accumulated earnings in gold, there must, at all times, be a large quantity of sovereigns in circulation in Tanjore, and I have no doubt, therefore, that a complete removal of the restriction, which the Government have now only temporarily relaxed, would prove beneficial, and facilitate the collection of the revenue
- 7 The withdrawal of the prohibition already sanctioned will lead Native merchants freely to receive payments in gold, and will, I conclude, have the effect of keeping up the value of the sovereign at par, even if it does not rise above that figure.
- From H. D. Phillips, Esq., Collr. of Tanjore, to Secy to Board of Revenue, Fort St. George,—No. 162, dated Negapatam, 6th August 1858

Adverting to my letter of date the 24th ultimo, No 150, I have the honor to state that the collections of public arrears made in sovereigns, in the Keevalore Talook, of which the Cusbah is Negapatam, during the past month, amounted to Rs 10,400

The whole arrear realized in that period was Rs 51,723-15

Fort St George, Revenue Consultation of 14th September 1858

Read the following Extract from the Proceedings of the Board of

Revenue,—No 3086, dated 14th August 1858.

Read the following letters —

From Acting Colli of Maduia, dated 9th July, in Cons 14th Aug 1858.

[Here enter Nos 164, 236, 150, and 162]

Resolved, that the above letters be submitted for the information of

In Cons 1st July 1858 ,, 24th ,, ,,

Government, with reference to Extract Minutes Consultation, 29th June and 14th July 1858, Nos 888 and 960 R D

- In his letter above recorded, the Collector of Tanjore furnishes the information required by Government regarding the scarcity of silver com in that district and the influx of sovereigns
 - Mr Phillips states that considerable trade is carried on between Tuniore and Cevion in paddy, the staple product of the former province and that the shipments have hitherto been usually paid for in Hoondies on merchants at Madras who again make their remittances by Accountant General's bills on the Tanjore Treasury Mr Phillips' enquires lead him to believe that owing, probably, to the recent commercial failures and depression of trado, this mode of receiving payment is no longer prefer red, and the exports are paid for in sovereigns (the current com of Cevlon) which thus find their way largely into Tanjore.
 - 4 This belief, Mr Phillips adds, is to a certain extent confirmed by the falling off in the amount

_	of the mind on in the amount
Co. a 1832-53 tr 19,67	
1853-54 10,66 1854-55 21,39	
1855-56 13,00	329 marganal abstract shows the
1856 57 I4 15. 1857 58 12,45,	
Revenue from all sources	years ending with 1857-58 and
Fuly 1264 A D 1854-56 Re. 54.75.	,000 it will be seen from it that there

1203 A. D. 1855-56 ... 58,85,000 1208 A. D. 1850-57 ... 56,29,000

d has not been much variation due ing the last three years, when

compared together but a great decrease appears when the comparison is made with the three preceding years the average of the former (1855-56 to 1857-58) being only Rs. 13 85,747 while that of the latter (1852-53 to 1854-55) is Rs. 19 24,868 It is clear from this that of late a const derable amount of silver has been withdrawn from circulation in Tanjore.

- Another cause assigned for the scarcity of silver is the extinction of the Raj Ten lakks of rupees were formerly disbursed as the fifth share of the Rajah in the revenue of Tanjore and almost the whole of this was expended in the district.
- The recent restriction in expenditure on public works is cited by Mr Phillips as another cause of the scarcity of coin
- The Board have no information regarding the Government remittances from Tanjore in com by land but Sept. 1857 Rs. 8 08,000 to Bombay the Statements of imports and exports of specie by sen on their account are blank, with the exception noted in the

margin Mr. Phillips, however, states that the remittance of public cash No from Tanjore has increased in proportion to the diminution in the local expenditure.

- 8 Mr Phillips is unable to affirm with any degree of certainty that the influx of sovereigns is likely to be permanent, but as the trade of the district with Ceylon is extensive, and a large portion of the lower classes emigrate to that Island and Mauritius, and usually bring back their savings in gold, a condsiderable number of sovereigns must always be introduced into the district
- 9 In a subsequent letter, the Collector reports that in the Keevalore Talook Rs 10,400 have been paid in sovereigns out of a total sum of Rs 51,724 collected during last month
- 10 It will be seen from the letters of the Collectors of Tinnevelly and Madura, that sovereigns are largely introduced into those provinces also, and that in the latter, their present market value is only Rs. 9-14 each. This depreciation in value Mr. Hathaway assistes to their abundance, but it is no doubt owing also in some degree to their not being accepted in payment of the public revenue, which (including all sources) is about 25 lakhs per annum.
- 11 The Board append an abstract, showing the total imports and exports of sovereigns for the Presidency by sea during the last three years, according to the Customs Returns —

Sovereigns valued in Company's Rupees.

Imports by private Individuals

Districts	1855-56	1856-57	1857-58	Total
Rajahmundry South Arcot Tanjore Tinnevelly Canara Malabar Madras	Rs	Rs 4,000 2,25,500 94,810 9,950 38,785 13,91,551	Rs 24,500 120 1,22,450 1,99,200 14,929 1,02,865 25,61,823	Rs. 28,500 120 4,20,160 3,35,385 34,001 1,45,050 48,64,539
Total	10,37,772	17,64,596	30,25,387	58,27,755

bo ar	~ * *	A STANSON TO THE STANSON AS	edividnale	
		I TOTAL TO	1857-58	Total.
	-/ Re.	Ra	Ru.	Rø
	700	2, 500	00,000	2,500 60,700
they are they are granted and are granted	700	2,500	60,000	03,200

No imports or exports of gold by Government.

(A true Extract)

(Signed)

J D SIM, Secretary

Ordered, in consequence, that the following letter be despatched — row T Property, Esq. Chief Secy to Gort of Fort St. George, to Secy to Gort, of India — No. 1250, dated 14th Sentember 1858

With reference to the Financial Notification of the Government India, dated 22nd December 1852, No 26 prohibiting the recent of gold come into the om Collr of Tanjore to Bd., 10th June 1858. odgs of Rev Bd to Gort., 22nd No. 2161. public treasures, der thereon, 24th 870 om Acett. Genl. to Govt. 25th 72. have the honor by der thereon, 29th 888. om Colle of Tanjore to Bd desire of the Governor 23rd ďo. to do. 25 th in Council, to submit odge, from Bd, of Ray to Govt., 2nd July 1858 ... der thereon, copies of the corres om Actg Collr of Madura to Bd., 9th oun do of Timevelly to do. pondence noted in the 164h om do, of Tanjore to do. 3 (th mergin which to da, dō. 6th August 1858 ard's Proceedings to Gort. 14th show that allver com

becoming scarce in Tanjore, and that sovereigns are largely introduced to that district as well as into Tinnevelly and Madura, and to request at permission may be granted for departing from the terms of the officiation alluded to in such of the districts of this Presidency in which is Government may find it necessary for the punctual collection of the iblio revenue. It will be observed that in Madura, the present market due of the sovereigns is stated to be Rs. 9 14 and this depreciation in due is (though the Acting Collector ascribes it to their abundance) in me degrees, owing to their not being accepted in payment at the overnment Treasures.

In Tanjoie the scarcity of silver coin became so conspicuous that No 5 this Government were obliged, as a temporary measure, to authorize the receipt of sovereigns, for it was apprehended that, without such permission, the public revenue might fall largely in arrears. They will be received at par value, viz, Rs 10, and are invariably to be remitted to the General Treasury at Madras, when the Sub-Treasurer will sell them at a rate not less than that at which they were received by the Collector.

FORT ST GEORGE, REVENUE CONSULTATION OF 28TH SEPTEMBER 1858.

Read the following letter from G. L. Prendergast, Esq., Acctt. Genl., to Chief Secy to Govt of Fort St. George,—No. 192, dated 18th September 1858.

With reference to my letter to the address of the Acting Secretary to Government in the Revenue Department, dated the 25th June last, and to the order of Government passed thereon, as per Extract from Minutes of Consultation, dated the 29th June 1858, No. 888, I have the honor to transmit herewith copy of a letter from the Collector of Tanjore, dated the 13th instant, in which he requests permission to issue, to those who may be willing to receive them, the gold sovereigns which he has been temporarily authorized to receive in payment of the public kists in consequence of the scarcity of silver.

- 2. The Collector of Tanjore has recently sent a remittance of ten lakes of Rupees to the Piesidency, Rs. 52,260 of which consisted of sovereigns. Having sent away his surplus silver, it cannot be expected, specially at this season when the revenues are small, if most of such ievenues are paid in gold, that the Collector will be able to meet the current demands on his treasury, if his disbursements are confined to silver
 - * It may be doubted, now that the East India Company has cersed to exist and India is an English Colony, as much as Ceylon or any other, whether so creigns "can any longer be regarded as uncarrent"

 * It may be doubted, now silver uncurrent coins, amongst which sovereigns* have been hitherto classed, is to secure their being sent sooner or later to the General Treasury, and thence forwarded to the Mint for re-coinage This was not in-

tended in the case of the gold sovereigns, which the Collector was authorized to receive and to send to the General Treasury for the purpose of being sold

4 Under these circumstances, I beg to recommend that the Collector of Tanjore be permitted, as a special case, to issue the sovereigns received by him, in payment of the demands on his treasury, to parties willing to receive them, in the sevent of the silver in his treasury proving insufficient for that purpose

From H D PHILLIPS, Esq., Collr of Tanjore, to Aceti Geni. Fort Si George -- No 720, dated Vellum, 18th September 1858

In paragraph 3 of your letter to Government, dated the 25th June 1858, No 72, you state that severeigns, when received into the treasury, "cannot under the existing rules, be issued" by me.

- 2 You are aware that, at this season the collections in the Talooks are very limited. The small payments of revenue that are made are mostly in gold coins
- 3 Under the present arrangements, nearly all the local disbursements have to be made from the Talook treasuries; and the re usus of gold coins being prohibited they have to be remitted to the treasury at Tranquebar, from which silver coins have to be sent to the Talooks, thus entailing unnecessary inconvenience and delay
- 4 The belance of cash in the Hoozoor treasury is small and while the receipt of sovereigns is allowed, if their re-issue is interdicted it will become necessary that I should apply for a remittance in silver coins, from Madras or other quarters, to meet the current demands on my treasury
- 6 Out of the balance of each in the Hoozoor treasury at Tran quebar, there are at present Rs 10 000 in gold come and you are aware that Rs 52 000 and odd in gold formed part of the recent remittance of ten lakes by the 'Coromandel. What quantity of them there is in the Talook balances, the Returns at hand do not show but some of the Telesildars have applied for a remittance in silver in place of the gold come in their hands to meet the current month's dishursements.
- 6 Under these circumstances and as the prohibition to receive gold coins in payment of the public kists has been temporarily relaxed

and I am not aware of any objection to sovereigns being tendered in pay- No 5. ment to those who may be willing to receive them, I request you will be so good as to obtain or grant the necessary authority, as a special case, for departing from the rules you refer to.

Order thereon, No. 1292, dated 22nd September 1858

Under the circumstances represented by the Collector of Tanjore, Government grant authority, as a special case, for the issue of gold sovereigns to parties willing to receive them, in payment of demands on the Tanjore treasury, provided that the silver in that treasury is unequal to the demands upon it. A report of this will be immediately made for the information of the Government of India

(Signed) T. PYCROFT,

Secretary

Ordered, in consequence, that the following letter be despatched -

From T. Pycroff, Esq, Chief Secy to Goit. of Fort St George, to Secy. to Govt of India,—No 1293, dated 22nd September 1858.

With reference to my letter dated 14th September 1858, No 1250,

18th September 1858 No 192, with letter from Collector of Tanjore, 13th September 1858, No 721 reporting that this Government had been obliged, as a temporary measure, to authorize the receipt of sovereigns into the treasury of Tanjore, in consequence of the scarcity of

silver coin in that district, I am directed to submit, for the information of the Government of India, the accompanying copy of a letter from the Accountant General, with its enclosure, and to report further for the confirmation of the Supreme Government the orders of this Government in since sanctioning, as a special case, the issue of gold sovereigns from the Treasury of Tanjore to such parties as may be willing to receive them in payment of their demands, provided, however, that the silver in that treasury was unequal to the demands upon it. The Government were induced to authorize this measure, as the Collector apprehended that he would be otherwise obliged to apply for silver from Madras and other quarters, in order to meet the current demands of his district

FORT ST GEORGE, REVENUE CONSULTATION OF 20TH OCTOBER 185 Read the following letter from G L. PRENDERGAST, Eso, Acci to Chief Secr to Gort of Fort St George .- No 220, 7 October 1858

With reference to the second paragraph of my letter to ment, dated the 18th ultime, in which I mentioned that, out of remittance of ten lakhs of rupees received from the Collector of Tuniore, Rs 52,200 consisted of gold sovereigns, I have the honor to report, for the information of Government, that the said sovereigns have been sold by the Sub-Treasurer, under the orders contained in Extract from Minutes of Consultation dated the 29th June last, No 888 The

amount of difference between the rate* at · Ra. 10 per sovereion. which the sovereigns in question were received by the Collecter, and the rates at which they have been sold, vis., Rs. 801 12-0, has been credited to ' Profit and Loss' in the accounts of the Snb Treasurer Particulars of the sale are hereunto subjoined-

4 677 gold a	overelges (Englis	h coimgo), at	R.	10	2	6	each,	Ra,	47 \$00	13	6
163 balf				5	1	3			771	14	0
425 gold	. (Australian	colunge)		10	2	0		p	4,393	2	0
96 half			,	Б	1	0	p	n	486	0	0
							Total,	Ru.	53,061	13	ß
	Dedact havoles	ratas at Ra. 10	pe	1 80	10	rel	gn.		52,200	0	0
	Difference or	edited to Pro	āt s	nd:	L	•	Co. s	Re.	801	13	8

Order thereon. No 1455, dated 29th October 1858 Ordered, that the foregoing letter be recorded.

> (Signed) W H BAYLEY, Actual Secr to Govt

FORT ST. GEORGE, REVENUE CONSULTATION OF 5TH NOVEMBER 1858 Read the following letter from C HUHH LUSHINGTON Esq., Seey to Govt

of India, Finl. Dept., to Chief Secy to Gott Fort St George -No 5841, dated 12th October 1858

I am directed to acknowledge the receipt of your letters No 1250, dated the 14th ultime and No 1293, dated the 22nd idem with their enclosures, reporting that the Government of Fort St. George have

considered it necessary, the Government order, I am requested No. 5.

The 2nd paragraph of the abovethe 2nd paragraph of the aboveand a sto the grounds on
the consequence of a scarcity of the scarcity o

- 2 I am desired to request that the error on what grounds Rs. 10 was assumed a final order of Govin question. The President in Council alient of Govto assign any intrinsic par value to the two differences.
- 3. It appears to the Hon'ble the President with the Reverse such a real scarcity of rupees should occur in the reverse uncurrent gold coms, or other commodities, it there is the gold coms at more than their market value at the time and plant out silver and factitiously encouraging the further importation of the gold coms thus unduly favored.
 - But the President in Council sees nothing in the papers before him to lead him to believe that there was any such real scarcity of silver coin in Tanjore as to justify a disregard of rule, in a matter of such importance as the currency. It appears to him that what has been mistaken for a scarcity of silver coin is a plethora of sovereigns, which have no concern whatever with the currency of India. This seems evident from the statements of the Collector of Tanjore, that "there seems to have been a great influx of sovereigns in the district," and that "these coins, which heretofore were seldom or never procurable unless at a premium, appear now to be selling at a discount." The merchants who have exchanged the produce of the district for sovereigns, might have been left to pass off those sovereigns as though they had been any other sort of merchantable commodities, of which more than enough had been imported.
 - 5. Under these circumstances, His Honor in Council cannot but regret that the currency at Tanjore should have been disturbed by the adoption of the ment of India, Financial Department, No 26, dated 22nd measure now reported. The receipt, even of gold coins struck at an Indian Mint, instead

of the legal currency of this country, is prohibited by the orders in force, which direct that "no gold coin" should "be received on account of payments due, or in any way to be made to the Government in any

- 5 public treasury within the territuries of the East India Company"

 This order was passed in consequence of the great inconvenience and less
 to which the Government had been exposed in consequence of the recept,
 at a fixed rate, under a Proclamation of the 13th January 1811 of gold
 coins struck under the previous of Act XVII of 1835
 - 6 His Honor in Council requests that the further receipt of sovereigns at the Tanjore Treasury may be put a stop to The sovereigns already received may be sold to the best udvantage. It is requested that the order noted above in the margin may be strictly observed under the Madras Presidency in future, and that the dealings of the treasury at Tanjore as everywhere else, may be restricted to the legal currency of the country.

Order thereon Ao 1497 dated 5th November 1858

Ordered to be communicated to the Board of Revenue and the Accountant General for their information and Bill No. 883.

Ditto ditto 22ad September ditto, No. 1292.

Tanjore Collector's Treasury under the or

ders noted in the margin

Mr Prendergost will format the information
required in paragraph 2 of the letter above recorded.

(Signed) W H BAYLEY,

Acting Secry to Gort

PURT ST GEORGE, REVENUE CONSULTATION OF 25TH FEBRUARY 1859

Read the following letter from G L PRENDERGANT ESQ Acett Goal to W H BAYLEY ESQ Actg Seey to Govt of Fort St. George Rovenne Dept. —No 259 dated 13th November 1858

With reference to the orders* of Government passed on a letter in Ex. Mins. of Cons. dated 5th Nor 1838, No. 1497

In Ex. Mins. of Cons. dated 5th Nor 1838, No. 1497

Indus to thus Government, dated the 12th ultime, No 5641, I have the honor to state that instructions have been sent to the Collector of Tanjore to discontinue forthwith the receipt of gold sovereigns in payment of revenue and to retain those at present in his treasury until an opportunity offers for sending them to Madras for the purpose of being, sold at the General Treasury to the best advantage.

- In the latter clause of the Government order, I am requested No. 5. to furnish the information required in the 2nd paragraph of the abovementioned letter from the Government of India, as to the grounds on which Rs 10 have been assigned as the par value of a gold sovereign, I beg to state that that expression is technically erroneous, but the error According to the Bomis on the side of the interests of Government bay Revised Assay Table, furnished to this Office with the order of Government, dated the 12th May 1856, No 211, the intimsic value of 100 sovereigns is Co's Rs. 1,027-1-22 or Co's Rs $10-4-3\frac{10}{125}$ each, consequently, when the Collector of Tanjore proposed, and the Board of Revenue recommended, that the sovereigns should be received at only Rs. 10 each, I had no objection to their being received at Tanjore at that rate, being satisfied that at the Picsidency they could be sold to advantage, and I at the same time suggested, when brought here, that they should be sold accordingly
 - 3. In this I have not been disappointed, as by the sale of the gold *Entire sovereigns, 5,102 sovereigns* already received from the Collectual Formula of Tanjore, a clear gain has been effected of Co's Rs 801-12-6, which has been credited in the accounts of the Sub-Treasurer to "Profit and Loss," as reported in my letter to Government dated the 14th ultimo

Ordered, in consequence, that the following letter be despatched -

From W. H. Bayley, Esq., Actg. Secy to Govt of Fort St. George, to Secy to Govt of India, Finl. Dept,—No. 1588, dated 27th November 1858.

I am directed by the Governor in Council to acknowledge the receipt of your letter dated 12th October 1858, No 5641, and to forward in reply copy of one from the Accountant General at this Presidency, furnishing the information required by the Government of India as to the grounds on which Rs. 10 have been assigned as the par value of the sovereign.

2 The Accountant General explains that the expression is technically erroneous, but that the error is on the side of the interests of Government, the intrinsic value of the sovereign being Rs $10-4-3\frac{1}{12}\frac{25}{3}$, and

the sale at the Presidency of the severeigns already received from Tanjore having resulted in a profit of Rs. 801 12 0

3 The Government of India will observe from the communication now submitted that, agreeably to their directions, the further receipt of sovereigns at the Tanjore treasury has been discontinued

Read the following letter from G. L. Prendergart, Erg., Accid. Genl., to Chief Secy to Goet of Fort St. George,—No. 359, dated 5th February 1859

In continuation of my lotter to you of the 14th October last, No 220, I have the honor to report that the Collector of Tanjore lately remitted to the Sub Treasurer Rs. 34 430 in gold sovereigns, which have been sold at a profit of Rs. 652 8-3 Particulars of the sale are subjoined —

500 gold sovereigns (Eng coinage) at Ra, 10 4 0 each Ra, 5 125 890 9 10 8 8 . 21 353 " (Australian coinage) " 607 10 2 6 7,078 14 6 189 half-sovereigns (Eng coinage) ,, 516 708 0 6 .. (Australian coinage) ,, 5 1 3 817 161 Total, Ra. 85,082 8.8

Deduct invoice value at Rs. 10 per sovereign ... 84 480 0 0

Difference credited to "Profit and Loss," Rs. 852 8 8

2 The Collector of Tanjore has reported to me that he has received a further stock of soveragns since the despatch of the above remittance, from his Talooks which were received by his Tehsildars prior to the prohibitory orders of the 5th November last, No 1497 These soveragns will be sent to Madras by the first opportunity and will be disposed of likewise, and the result of their sale duly communicated to Government.

Order thereon No 242 dated 25th February 1859

Ordered, that the foregoing letter be recorded.

J D ROURDILLON

PROCEEDINGS OF THE MADRAS GOVERNMENT, REVENUE DEPARTMENT, FROM No. 9th to 15th July 1859.

Read the following letter from G L PRENDERGAST, Esq., Acctt. Genl, to Chief Secy. to Gort of Fort St George,—No. 88, dated 4th July 1859

In continuation of my letter of the 5th February last, I have the honor to report that the Collector of Tanjoie has since remitted to the Sub-Tieasurer 631 whole and 420 half-sovereigns, which have been sold for Rs 8,555, or at a profit of Rs 145, compared with the rate at which they were received Particulars of the sale are herewith subjoined.—

410 whole so	vereign	s (Eng comage), at Rs	10	3	0	each,	m Rs	4,176	14	0
50 half	"))	,,	5	1	6	,,	,,	254	11	0
221 whole	,, (A1	ustralian coinag	e), ,,	10	2	6	"	,,	2,244	8	6
370 half	"	"	"	5	1	3	"	"	1,878	14	0

Total Rs 8,555 0 0

Deduct invoice value at Rs 10 for the whole and Rs. 5 the half-sovereigns Rs 8,410 0 0

Difference credited to Profit and Loss

Rs 145 0 0

2 The Collector of Tanjoie has more sovereigns, which are expected with the remittance now coming by the "Colomandel" The sovereigns received from the Collector of Tanjore and sold here, up to this date, amounted to 9,026 whole and 968 half-sovereigns, the profit realized thereon, Rs 1,599-4-9, has been placed to the credit of Government

Order thereon, No. 944, dated 15th July 1859

Ordered, that the foregoing letter be recorded

(Signed) J D. BOURDILLON,

PROCEEDINGS OF THE MADDAS GOVERNMENT, REVENUE DEPARTMENT, FROM
17TH TO 23RD SEPTEMBER 1859

Read the following letter from G L PRENDERGART, Esq., Acett Genl., to Chief Seey to Gott of Fort St George -No 210, dated 9th September 1850

In continuation of my letter of the 4th July last, No 88, I have the honor to report, for the information of Government, that the Collector of Tanjore has since remitted to the Sub-Treasurer a further supply of 1,344 whole and 897 half-coveragns, which have been sold for Rs. 18,404-7 10, or at a profit of Rs. 569 10, compared with the rate at which they were received. Particulars of the sale are herewith subjoined — Soveragns (English counce) whole

veren	gns (English coinage)	whole		907			
,,	,,,	half 05 or		471			
	(Australian coinage)	whole		487	91	γţ	
"	, <i></i>	half 802 or		401			
,	,,				8	38	
				-	7٤,	121	
	at	Rs. 10-5 1 each 15	Rs.	18494	7	10	
		Invoice value	,,	17,028	0	0	
	Difference credited	to Profit and Loss	R.	569	7	10	

2 The total number of sovereigns received from the Collector of Tanjore and sold here, up to this date, amounts to 10 370 whole and 1 865 half-sovereigns, and the profit realized thereon is Rs. 2,168 12 7, which sum has been credited to Government.

Order thereon 21st September 1859, No 1278

Ordered, that the foregoing letter be recorded.

(Signed) J D BOURDILLON, Seev to Gott

Memorandum by the Board of Revenue

The Board of Revenue have no information before them on which they might form an opinion as to the necessity or expediency of introducing a gold currency. No communications have been received from any of the Collectors complaining of inconvenience experienced by the agricultural or mercantile community in the Mofussil, in consequence of No. 5. the scarcity of silver; any opinion, therefore, that we may give must necessarily be based upon general views as to the necessities of the country, and not on official reports from the local authorities.

- 2 Agriculture is extending everywhere. There is a great demand for cotton, and indeed for every product of the field. Prices are at the same time exceedingly high. The farmers in consequence obtain large sums of money for their produce, and a great proportion of this money is not returned into other channels, but is buried and hoarded, for the people have no means readily available of employing it. This may be one among other causes why the circulating medium (silver) is daily becoming scarcer, and as long as the present state of things continues to exist, it must remain scarce
- 3. The paper currency does not appear to give the relief required, the difficulty of changing the notes at the District Treasures being, as it would seem, a check on their free circulation.
- No doubt gold is in requisition and is finding its way into the interior, for packets of sovereigns are constantly sent up-country, and if a gold currency were introduced, we do not doubt that it would be very acceptable, and be eagerly taken in payment for agricultural produce. The surplus would be hoarded as silver now is, but silver coin would be released from the secret stores, and be replaced by the more In those purely agricultural districts where the wants convenient metal of the simple people are comparatively small, money is accumulating; and there is no sufficient outlet for it in exchange for other things must then of necessity be hoarded, and gold is a more convenient metal than silver for that purpose, until a demand springs up in the country for foreign goods to an extent that will balance exports and imports, there must be, with the present demand and high prices for agricultural produce, a large surplus of unemployed money in the agricultural districts. Money must still be imported to pay for the produce The hoarded stores must go on increasing, and as silver cannot be imported in sufficient quantities, gold may well be brought on, in the hope that it will help to restore some of the silver to circulation

Madras, May 1864

J. PELLY. H. A. BREIT.

Mr. Clarke, Member of the Board of Revenue, is not at the Presidency.

Statement of Remailances received in and of the Bombon General Treasury, from the lat May 1869 to the Outh May 1862. APPENDIX No 6

		#									
stay 1864		Breens									Copper cola.
DUX to the zuta		By transfers in account between the lients of Bengal and Mombey	13.6 00.000	200	2,00,000				2,00 000	2 00 000 1 00,000	_
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Rectanged of Remitlances received in aid of the Bombay General Treasury,--continued.

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Statement of Remittances received in aid of the Bowley General Treasury.—continued.

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		Resert.		the part	On account chieffy of a remittance of forty lakes of silver bullon sent	from Bombey to Madras for coin- age, in reference to animestament in Government Seeu rities at Calcutta, on behalf of the	Department,
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,		DATH OF REGRET			1861-63	1967-64	1901-63	1863-84	1861-65	1863-64	1963-64	1863-65	1,41	
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* Besides this, builton to the value of forty lakies of Bupoes was withdrawn from the Currency Department at Bembay in further payment for investments made at Calentta, and was sent to Madra to be minted and remitted to reinforce the Government balance at Bombay These forty lakin are included in the remittances from Madres in January

The 25th May 1844.

5,70 09,776

Total, Re.

Deputy Auditor and Accountant General,

a D BIRCH

APPENDIX No. 7.

Extract from a Memorandum by Mr. Arbutinot, of Her Majesty's Treasury,—dated 20th August 1858.

Into the West Indies, as into other American Colonies, the British No 7 settlers carried with them originally the form of moncy accounts of the mother-country, but, as the supply of coins for circulation was obtained from the Spanish Provinces, it became necessary to adapt them to the system of account in use, by rating each for currency according to its supposed value expressed in the terms of Butish money. The errors to which this necessity gave use, and the causes of them, have been so clearly and accurately described in Mr. Pennington's work on the currency of the British Colonies, that it is unnecessary to enter here into particulars. It is sufficient to observe that in each Colony different rates were assigned to the coins of Spain and South America. valuations were adopted without regard to any principle, and the confusion applied, not only to the silver coins, but to the gold coins in cit-Hence the pound currency represented in no Colony the value of the pound sterling, and in each Colony a different value confusion arising from local legislation was further complicated by the proceedings of the Home Government In the West Indies the doubloon was generally overvalued relatively to the dollar, and gold became therefore practically the standard of value in those Colonies The Order m Council of 1825, however, referred only to the silver comage, and declared 4s 4d. sterling to be equal to the dollar. A higher rate was thus assigned to that coin than its intrinsic contents of piecious metal justified, according to the prevailing price of silver relatively to gold: but this was not all, for, as in the West Indies, a silver dollar was deemed to be equal to 1-16th of a doubloon, it was concluded that 4s 4d was also equal to 1-16th of a doubloon. Hence it followed that not only silver dollars, but also British gold and silver coins (both being undervalued with reference to the doubloon) were practically excluded from the currency of the Islands.

It was the object of the Order in Council and Proclamation of 1838 to reduce this confusion to order by ascertaining and fixing the relative value of foreign coins to sterling money. The gold coins were rated for circulation according to their contents of pure gold as compared with the pure gold in the British sovereign—the silver coins were rated on

the same principle—hnt, as the simple comparison of weight and fineness would not apply in the case of money consisting of different metals, the nincertain element was introduced of rating the elever coins for an culation according to an average of the relative value of gold and silver in the European market. Though fluctuations in the price of one as compared with the other, were not infrequent according to the varying demands arising from the course of exchange between different countries, it was found that, for a long series of years the price of silver of British standard quality, in London had never greatly deviated from 5s the ounce and on this basis the Spanish and Mexican dollar was rated for circulation at 50st

It is not unworthy of remark that this valuation exhibited a for tunate coincidence of principle and convenience. It afforded a simple rule for the conversion of the dellar into the denomination of British money and it equally facilitated the conversion of British money into the decimal system of account founded on the dellar, as the half penny represented the one-hundredth part of that coin.

The measure was followed by Acts of the Legislatures of the several West Indian Colonies for the purpose of adjusting contracts in the local currencies to the new valuation, and finally by the general adoption of the system of account of the United Kingdom corresponding in its terms with the coins of the realm. These proceedings were attended with perfect success. The concurrent use of British with foreign coins at the rates assigned to them was established in the West Indies but it happened that, although previously to 1838 the currency had been based on a gold standard the proclamation of that year led in the first instance to the general use of silver dollars and the circulation was principally maintained by the importation of dollars from the Mexican Mint, until the discoveries of gold in California and Australia led to a new direction of the trade in silver.

Mr Pennington, whose agency was employed in the arrangements of 1838, was however, too sagacious to suppose that any measure for the adaptation of coins of different metals for concurrent circulation could be regarded in the light of a permanent settlement. A true standard of value can only be founded on a single metal. What is termed a double standard can, at best, be only an alternative standard langing on an uncertain balance. The Proclamation of 1838 assumed gold the

standard of Great Britain, as the basis to which foreign silver come No. 7. should be adjusted according to the then existing relative value of the two metals, but it was observed in Mr. Pennington's book on Colonial Currency that "if the market value of gold and silver should permanently vary from the proportion fixed in the Order in Council and Proclamation of 1838, the cheaper metal will practically become the principal measure of value in the Colonies, and all money contracts will be discharged in that cheaper metal."

This result ensued so soon as the discoveries of gold in California had a sensible effect on silver. It then became no longer a profitable operation for the Banks to obtain supplies of dollars from the Mexican Mint, and gold coins, or British silver, the representative of a gold curiency, took their place. The transition occasioned probably some inconvenience to the Banks; but it was effected without disturbing contracts, and without detriment, therefore, to the community at large. British silver, which passes as an unlimited tender in the West Indies, fulfilled an intermediate function throughout, for it continued to circulate as tokens for the fractional parts of the pound sterling, whether that pound was considered to consist of 1,776 grains of fine silver, under the Proclamation of 1838, or of 113 001 grains of fine gold contained in the sovereign.

The currency of the other British Colonies in North America has been regulated on the same principle, but, owing to local circumstances, with some variations of detail It may be observed that, previously to 1838, the proportions assigned by the Mint laws of the United States to the gold and silver coins of that country had rendered the former the cheaper medium of payment. In Canada, foreign silver coins were rated for circulation according to a more strict analysis of the relative value of the two metals, and in consequence there was a tendency to a flow of the silver dollars of the United States from that country, in which they were undervalued, into Canada, where they circulated at their intrinsic Some local inconvenience was experienced on the borders of the two countries from this difference in their currency regulations, but if the attempt had been made to reconcile the discrepancy, by assimilating the law of Canada to the Mint law of the United States, the consequence would have been that gold would have become, by a forced operation, the principal medium on which contracts would have been based in Canada. This change has been since effected, in the natural course

s of events, by the rise in the price of silver, and the result of the whole series of proceedings is, that gold has become the measure of value throughout North America, the vanous currencies of the British Colonies and the United States being adjusted to that standard. Many persons who confound the denomination of money with its representative in coins, the sign with the substance, continue to regard the dollar as the general coin of the world, but the dollar of Spain and Mexico, which may once have claumed this attribute has been bounded to the East

APPENDIX No 8

Remarks on the importation of Bullion into India with quotations

India has for many years received large amounts of gold from Australia, partly as returns for direct shipments of produce and partly through the influence of the Banks in working exchanges with the Colonies and England

Gold generally finds a ready market in Calcutta. During the past three years sales were only suspended for about a month in December last when our money market was at its lowest state of depression, and when Government Securities were equally unsaleable

In December last, sovereigns of English and Australian coinage were in no case quoted under Rs 10 in Calcutta, and although bar gold standard, was stated at one time to be marketable only at Rs 14 per tolah, I doubt whether any sales were effected at so low a price

I reckon that India imported from Australia in the year 1865 gold to the value of £2 000,000, and from Europe to the value of £991 112, or in round numbers, three millions starting in all.

As far as can be judged, all this gold has been devoted to purposes of hearding and the manufacture of ornaments. It is said that on the Bombay sude bars of gold stamped with the names of some of the local Banks, the quality and value have obtained some currency as tokens for money, but such a system has not been tried in Bengal slithough gold similarly marked is imported into Calcutta. The marks alluded to are used to assist sellers, and are much appreciated by the Natives.

The Sydney Mint sells gold bar of standard fineness at a price of No. 8. £3-17-10½ per ounce, free of export duty. The freight, insurance, &c., on gold from Australia to India is about one and three quarters per cent, or say 1s. 4d per ounce; Sydney Mint gold, standard, can consequently be laid down in Calcutta at £3-19-2½, or Rs. 39-9-8 per ounce, equal to Rs. 14-13-7½ per tolah.

In Melbourne there is a keen competition for gold, which is bought by the Banks in the open market. Recent prices are somewhat above the average, which may be taken at £3-15-6 per ounce standard. This gold is subject to an Australian export duty of 1s and 6d per ounce on the actual weight. After allowing for this duty and for freight and insurance, the gold can be laid down in Calcutta at £3-18-1, or Rs. 39-2-8 per ounce, or Rs. 14-11 per tolah

The expense of sending gold from England is equal to three per cent. Thus, gold shipped from England at £3-17-10½ per ounce costs the importer in Calcutta £4-0-2½, or Rs 10-1-8 per ounce, or Rs 15-0-7 per tolah

Australian coined gold (sovereigns) can be laid down in Calcutta at Rs 10-2-9 each, and English coined gold at Rs 10-4-10 per sovereign.

The Rupee in the above calculations has been taken as the equivalent of 2s

If a gold currency were to be introduced in India, and the Calcutta Mint purchasing price was fixed at the same figure as that of the Bank of England, £3-17-9, or Rs 38-14-0 per ounce, or Rs 14-9-3 per tolah, an importer from Australia would obtain his coin at a cost of 2s. $0\frac{7}{16}d$ per rupee from Sydney, and 2s $0\frac{5}{16}d$ per rupee from Melbourne, whilst an importer from England would obtain his rupee at a cost of 2s $0\frac{3}{4}d$

The importers of coin, if the sovereign were accepted in India as a legal tender for Rs 10, would obtain their rupee at 2s $0\frac{3}{4}d$ from London, and at 2s. $0\frac{7}{10}d$ from Australia

The cost of sending gold from Australia to England is the same as to India, one per cent freight, and 4 per cent insurance and other charges. Most of the gold sent to England is despatched via the Cape in chippers. These chippers are, as an average, 75 to 80 days on the passage. As gold can be realized at once in England, it is reasonable to assume that gold bar can be converted into coin in London 80 days from the date of shipment in Australia.

Gold shipped to India by the Peninsular and Oriental Steamers is 38 days in transit, and when the gold is sold, a prompt (or time for taking delivery) of 10 up to 30 days has to be allowed; consequently gold sent to Iodia is not realized till fully 60 days after shipment in Australia.

But most of, if not all, the gold received in India from Australia is for sale and remittance to London. These remittances are made in Bills of Exchange at usance, or six months sight. Taking, therefore, the time occupied in despatching the gold to India, the sale and the remit tacce of the proceeds, including the "Post and usance of the Bills, Australian gold sent through India is not turned into coin in London, until 275 days after its despatch or slapment in Australia.

The less of time in realizing gold in London, when sent through India, in comparison with direct shipments, is about six and a half months. At a rate of interest at 6 per cent. per annum, this less is equal to 2s 6d per come. The operators in exchanges generally cover this less by the rate at which they convert the rupee into sterling by the purchase of Bills on England.

The following Table will show the results of gold sent to India from Australia for remittance of proceeds to England at various rates of exchange, as compared with direct shipments from Australia to England, the cost of the shipment being identical.

The selling price of the gold in Calcutta is taken at Rs. 38-14-0, (or Rs. 14 9-3 per tolah) the equivalent at 2s per rupee of £3-17 9 the Bank of England buying price, at which the sale in England is also supposed to be made —

Rate of Exchange.	Equivalent.	Interest 6} months, at 6 per- cent. per annum.	Net.	Loss on In dian Ship- ment.	Profit on In disn Ship- ment-
£ s d. 2 0 2 0 3 0 3 0 3 0 3 0 3 0 3 1 3 1 3 1 3 1 3 1 3 1 3 1 3 1 3 1 3 1	2 s d. 3 17 9 3 18 61 3 19 44 4 0 2 4 0 11 4 1 9 4 2 7 4 3 5 4 4 2 0 4 5 10	8 s. d. 0 2 6 0 2 6 0 2 6 0 2 6 0 2 6 0 2 6 0 2 6 0 2 6 0 2 6 0 2 6 0 2 7	3 15 3 3 10 00 3 10 100 8 17 8 3 18 3 19 3 14 0 11 4 0 1 8 4 2 6 4 3 4	2	\$ & d 0 85 1 65 2 45 3 5 155 4 91 5 7

The price at which the gold is taken, as sold in Calcutta, will be No 8 found to be under the average when compared with quotations for the last few years.

The amount of gold imported into India from China is inconsiderable, and there is no chance of any large supplies being obtained from thence.

In the present state of Indian currency, the following Table may be interesting, it gives the out-turn of bar silver, standard, purchased in London, and sent for coinage to the Calcutta Mint.

The charges, such as freight, insurance, brokerage, &c., are computed at 3½ per cent, and the Mint seignorage is duly considered

Cost in London, 4 103 per ounce, gives the Rupee at a cost of 23 0d.

4	4	11	***		23 1
•	4	114	***	• • •	23 2
•	4	111	•••		23.3
4	4	114	***		23 4
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	5	$0\frac{1}{4}$	• •••	•••	23 6
•	5	$0\frac{1}{2}$	•••	•••	23 7
	5	$0\frac{3}{4}$	•••	• • •	238
Cost in London,	5	1	per ounce, gives the rupec at a cost	of	23 9
;	5	14			240
•	5	11/2	•••		24 1
	5	14	***	•••	242
	5	2	•••	•••	243
	5	$2\frac{1}{4}$	•	•••	244
	5	$2\frac{1}{2}$		•••	24 5
	5	$2\frac{3}{4}$		•••	24 6
	5	3	•••		247

and for each additional farthing in the price of bar silver, $\frac{1}{10}$ th of a penny should be added to the cost as given.

Calcutta is taken as the place of import.

During the greater part of last year, the Council Bills on India sold on the Fort William Treasury at $1-11\frac{1}{2}$ to 2s. per rupee. This rate may be fairly taken as the equivalent of the price at which there would be a special demand for bar silver for Calcutta, apart from other places, and represents 5s. to 5s. $1\frac{1}{4}d$. per ounce

No 8. Gold shipped to India by the Peninsular and Oriental Steamers is 38 days in transit, and when the gold is sold, a prompt (or time for taking delivery) of 10 up to 30 days has to be allowed; consequently gold sent to India is not realized till fully 00 days after shipment in Australia.

But most of, if not all, the gold received in India from Australia is for sale and remittance to London. These remittances are made in Bills of Exchange at usance, or six months' sight. Taking, therefore, the time occupied in despatching the gold to India, the sale and the remit tance of the proceeds, including the "Post" and usance of the Bills, Australian gold sent through India is not turned into coin in London, until 275 days after its despatch or shipment in Australia.

The loss of time in realizing gold in London, when sent through India, in comparison with direct shipments, is about six and a half months. At a rate of interest at 6 per cent. per annum this loss is equal to 22 6d per conce. The operators in exchanges generally cover this loss by the rate of which they convert the rupee into sterling by the purchase of Bills on England.

The following Table will show the results of gold sent to India from Australia for remittance of proceeds to England at various rates of exchange as compared with direct shipments from Australia to England the cost of the shipment being identical.

The selling price of the gold in Calcutta is taken at Rs. 38 14-0, (or Rs. 14 9-3 per tolah,) the equivalent at 2, per rupee of £3-17 9 the Bank of England buying price, at which the sale in England is also supposed to be made —

Rate of Exchange.	Equiralent.	Interest 6} months, at 6 per cent, per sanuin.		Loss on In- dian Ship- ment.	Profit on In- dian Ship- ment-
£ s. d. 5 0 2 0 3 0 3 0 3 0 3 1 3 1 3 1 3 1 3 1 2 2 3 3 2 3 3 3	2 s d. 3 17 9 3 18 6h 3 19 4h 4 0 9 4 0 11 4 1 9h 4 2 7h 4 3 5 4 4 2 0 4 5 0 4 5 0 6 10	£ s. Z. 0 2 6 0 2	2 s d 3 15 5 3 10 0i 3 15 10i 3 17 6 3 18 3i 4 0 14 4 0 14 4 0 1 4 1 1 85 4 2 6i 4 3 4	£ e, d. 0 \$ 0 0 1 8 i 0 0 10 0 0 1	2 z.d. 0 el 1 cl 2 44 3 2 5 114 4 91

The price at which the gold is taken, as sold in Calcutta, will be No 8. found to be under the average when compared with quotations for the last few years.

The amount of gold imported into India from China is inconsiderable, and there is no chance of any large supplies being obtained from thence.

In the present state of Indian currency, the following Table may be interesting, it gives the out-turn of bar silver, standard, purchased in London, and sent for coinage to the Calcutta Mint.

The charges, such as freight, insurance, brokerage, &c., are computed at 31 per cent., and the Mint seignorage is duly considered

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and for each additional farthing in the price of bar silver, inth of a penny should be added to the cost as given.

Calcutta is taken as the place of import.

During the greater part of last year, the Council Bills on India sold on the Fort William Treasury at 1-111 to 2s. per rupee. This rate may be fairly taken as the equivalent of the price at which there would be a special demand for bar silver for Calcutta, apart from other places, and represents 5r to 5s 14d per ounce

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APPENDIX TO MINUTE BY SIR CHARLES TREVELYAN.
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APPENDIX No. 9

From the Hon'ble Claud Brown, to the Hon'ble Sir C. E Trevelyan, dated Calcutta, 28th May 1864

When you last did me the favor to speak with me on the important No 9. question of the establishment of a gold currency for this country, you asked me to write you anything that might occur to me on the subject

I now do so, more in order that I should not seem to neglect your request than with the expectation that my remarks can prove of value, for though I have given the matter some consideration, I have never got beyond the primary obstacle to what I understand as your scheme. I believe the arrangement which you are desirous of carrying out, and which is understood to have the support of Her Majesty's Secretary of State for India, is the simple but complete one of making the English (and Australian) sovereign a legal tender for Rs. 10 throughout India, leaving the silver coinage as it is for the present, pending the time when the general adoption of gold as the medium for all large payments will justify the reduction of silver to the subsidiary position in the currency which it occupies in the mother country

That under such an arrangement, sovereigns would be readily and rapidly received into general circulation, I have little doubt, but the first and most essential condition is that some one must provide the sovereigns, and my difficulty is that I do not think it can be done at the price

We may fairly assume that the average selling price of gold, over a series of years in this market, is an index to the late at which—with reference to the state of the exchanges—it can profitably be laid down here, and that if the prices ruling afforded anything more than a moderate profit, the effect would be seen in a great addition to the supply, and a general reduction of value to a level, corresponding with that ruling in the other markets of the world

I have taken the average of our own sales of Australian gold in the years 1861 and 1863, and find it to be Rs 14-14-3 per sieca mohur of 22 carat fine. If we include the first four months of this year, during which the value was exceptionally affected by the monetary erisis, the average is reduced to Rs 11-13-9½ on total sales of Rs 17,02,708

To check this result, I have taken the average of the quotations during the three years from our monthly circular, and find it to be Rs. 14 13-4, so that I think we may fairly conclude that the value of gold of standard quality has, during the past three years, been as nearly as may be, Rs. 14-14 per steep mobur

At this price the 5 dwts. 3; grs which an English sovereign contains, will be worth Rs 10 2 11, and when to this is added seignorage at the rate of 1 per cent., the cost of the coin will be Rs 10-4-6

It would be too much to say that we may not have such a reduction in the value of gold as would enable the sovereign to be supplied at a cost of Rs 10; but for my own part I do not see any valid ground for expecting such a change, especially when due allowance is made for the effect which the adoption of gold as a circulating medium in India, must have in checking any tendency that might otherwise have existed to a decline in the value of the metal.

Periods of temporary decline may no doubt occur as at this moment when 22 carat fine is not worth more than Rs. 14-10-6 to Rs. 14-11 but it would not be safe to argue from these

Should the final result of your investigation of the contents of the "Gold Box" of which you told us, lead you to the conclusion that we cannot obtain English sovereigns for Rs 10 I cannot but fear that the fact must prove fatal to the completeness of the system you were desirous of introducing though it will not I hope prevent your arriving at the desired end in a certain degree. The same object, after all is the provision of a gold currency for India and though there would be very great advantage in doing this by means of a coin which circulates throughout all parts of Her Majesty's dominions still there is much good to be had out of even a less complete scheme.

Without having had any opportunity of considering the arguments which may no doubt be advanced against such a course, it occurs to me that the best alternative would be to coin an Indian sovereign identical in fineness with the English coin but inferior in weight by so much as would adout of its being turned out at a cost of Rs 10

APPENDIX No 10.

Memo,—By Mr Pennefather, Auditor General of Ceylon, on the Currency of that Island.

The currency of Ccylon is regulated as follows -

No 10

1st—The Regulation No VIII of 1825 directs accounts to be kept

1n pounds, shillings, and pence, and declares that "British silver coin, whereof sixty-six "shillings go to one Pound Troy of standard silver, should be received as "the lawful coin of the Island," and that such British silver coin should "be a legal and full tender in every matter of account or debt"

2nd—The Governor's Minute of September 26th, 1836, orders the rupee to be taken at two shillings, and its fractional parts at corresponding values

3rd—The Ordinance of 1857, No 5, "The coming prevention Ordi-Ceylon Ordinances, vol 111, nance," enacts (Clause 5) that for the purposes of the Ordinance—

"The Company's Rupee,
The Company's Half-Rupee,
The Company's Quarter-Rupee,

shall be deemed to be silver coins lawfully current in this Colony "

4th—The Governor's Minute of October 18th, 1851, publishes the decision of the Secretary of State for the Colonies that—

"A local Ordinance is not necessary to give legal currency within "the Island to the gold coins of this realm, which, as being issued from "Her Majesty's Mint, under Her Royal authority, are a legal discharge "for the sums they represent throughout Her Majesty's dominions"

5th.—The Royal Proclamation of October 22nd, 1856, promulgated here on July 15th, 1857, ordered Australian sovereigns and half-sovereigns to "be current and lawful money within our Colonies of Ceylon, Mauritius, and Hong-Kong, and that they should pass and be received as current and lawful money therein by the names aforesaid, and at the values hereinbefore assigned to them."

It follows, then, that sovereigns, whether British or Australian, are a legal tender for twenty shillings each in Ceylon and as the rupes passes by the Governor's order, for two shillings, it would seem that the sovereign is a recognized tender for Rs 10. It is a legal tender for this sum to this extent, that a public servant is bound, by the Minnte of September 26th, 1836, to take indifferently Rs 10 or a sovereign for twenty chillings, in satisfaction of revenue debts. It may be doubtful whether, as the Ordinanco of 1857, No 5, only makes it penal to counterfeit a rupes, and does not specify any value for the coin as part of the currency, the rupes is a legal tender at all among the general public, but it is received without hesitation for any amount at a value of two shillings. There is no limit here beyond which silver ceases to be a legal tender.

In practice the difficulty would be to get any one to tender a sovereign for so little as Rs. 10, gold being almost always at a premium On one occasion however one of the Banks, having a large stock of gold issued a considerable quantity at par. It was taken eigerly and nearly one-half of the notes of the Bank in circulation were returned into its hands. Subsequently, there was some dissatisfaction in the interior coving to the scarcity of change, the Bank, on issuing gold having ceased to issue silver. This, however, was a minor point speedily rectified.

The enclosed paper shows the extreme valuations for movereigns given by one of the local Banks during the years 1982 and 1983

The rupes and the British entrency circulate, side by side through out Ceylon, but by far the greater portion of the silver in the island is of the Indian conage. If snything, the rupes is taken in preference to English silver

This is due to three causes, mainly-

1st —Its greater metallic value than its British correspondent, the florin. The latter weighs 174 6 grains, containing 152 8 grains of silver the former, 180 grains, of which 165 are silver. A similar remark applies to the fractional parts of the respective coins.

2.nd .-The quantity of deprecated English silver, which some years ago was imported into Caylon, and which was refused at the

Kutchernes. The great majority of these depreciated coins have now No 10 been absorbed. They are very rarely met with.

3rdly and principally.—As Indian currency, the rupee is sought by the Malabar coolies returning to the Coast. Hence it is always in demand in the planting districts.

Prices of Sovereigns ruling in Colombo during 1862 and 1863

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August	•••	•	"	0 11	3		"	0 0	0	,,
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These are extreme valuations, as the Bank accommodated, to enable the purchasers to transact.

Letter from Mr Moie, Acting Manager of the Oriental Bank, to Majou General O Brien, Governor of Ceylon,—dated Colombo 7th June 1864

I find among other papers, which Mr Duff's sudden departure prevented him from nttonding to, your note, enclosing copy of a letter to you from Sir Charles Trevelyan, asking for information on the subject of the monetary arrangements in this Colony under which the English and Australian sovereign circulate here as twenty shillings.

The question now at usue in India is the introduction of the sovereign as ten rupces here—that process was greatly facilitated by an old proclamation of the Ceylon Government, usued many years ago, by which the Indian rupce was declared equivalent, in all money transactions, to two shillings of English ourrency, both being made legal tenders in the Colony

In point of fact the value of the two coins is by no means identical the Indian rupes containing 180 grains of silver, while the English florin has only $174 f_{\rm T}$ (the shillings $87 f_{\rm T}$) grains

No practical inconvenience, however appears to have attended the operation of this proclamation and English and Indian coins have since circulated side by side in Ceylon with little or no apparent preference for the one over the other

The assimilation of the two coinages having thus become almost complete, the subsequent adoption of the English (and Colonial) sovereign into legalised circulation here became, in time, almost a necessary consequence.

A double standard of currency (gold and silver) is thus in use in this Colony, neither being subsidiary to the other insumuch as the amount of silver which may be tendered in payment of a debt is not limited, (as in England,) and notwithstanding the objections which have been urged against this system in theory, I believe that no practical inconvenience has been found to result from it. On the contrary Ceylon owes to its double standard its comparative immunity from the severe monetary cross through which India has recently passed.

I may add that sovereigns generally (though not always) command a small premium here.

R T PENNEFATHER

Auditor General

Resolution by the Government of India, Financial Department,—No. 1325, dated Simla, 12th July 1864

Read the following papers on the subject of a gold currency for India —

Letter from the Secretary to the Bengal Chamber of Commerce of 19th February 1864, forwarding copy of a Resolution passed at a General Meeting of the Chamber on the 17th idem

Reply to ditto, No 1124 of 29th idem, stating that the subject above referred to was under consideration

Memorial from the Bombay Association of the 19th idem

Reply to ditto, No 1123 of 29th idem

Letter from the Government of Bombay, No 252 of 7th March 1864, forwarding a Memorial, together with copies of the Minutes recorded by the Members of that Government, on the above subject

Reply to ditto, No 1516 of 18th idem

Memorial from the Madras Chamber of Commerce of the 30th of April 1864

Reply to ditto, No 474 of the 28th of May 1864

Letters from the Government of Bombay, Nos 288, 308, and 520 of 16th and 19th March and 11th May 1864 respectively

Read also a Minute by the Hon'ble Sir C. E. Trevelyan, K c B, dated 30th June 1864, proposing to introduce a gold currency into India by declaring sovereigns and half-sovereigns, according to the British and Australian standard, to be a legal tender in India at the late of one sovereign for ten rupees, and recommending a modification of Act XIX of 1861, whereby Currency Notes would be exchangeable for coin only, instead of for coin and bullion, as permitted by Section 9 of that Act

RESOLUTION —The Governor General in Council directs that Sir C Trevelyan's Minute be published for general information in a Gazette of India, Evtraordinary, to be issued at Calcutta, with an intimation that a despatch will be addressed to the Right Hon'ble the Secretary of State for India in support of the recommendations contained therein, and that, in the event of his approval, it is proposed to give legislative effect to those recommendations.

By order,

E H LUSHINGTON,

Secy to the Govt. of India, Finl. Dept.

Financial Despatch from the Gott of India, to the Right Hon'ble the Secy of State for India,—No 80, dated Simla, the 14th July 1884

According to the intention already expressed by us, we have the honor to address you on the subject of a gold currency for India

- The accompanying Minute by Sir Charlos Trevelyan and its appendices contain, we believe a full exposition of the question.
- 3 We concur in the two main proposals contained in that Minute, viz., that sovereigns and half sovereigns, according to the British and Australian standard, coined at any properly authorised Royal Mint in England, Australia, or India, should be made legal tender throughout the British dominions in India, at tha rate of one sovereign for ten rupees, and that the Government Currency Notes should be exchangeable either for rupees or for sovereigns at the rate of one sovereign for ten rupees, but that they should not be exchangeable for bullion.
- 4 We are also of opinion that, in order to intigate the evils to be expected from a recurrence of the late commercial crisis, it is necessary that there should be no delay in the adoption of these measures.
- 5 If therefore they have your approbation, we propose to give immediate legislative effect to them.
- o In the event of your approving of the adoption of the soverage and half soverage as legal tender in India, we request that you will with out writing for indents from this country, cause to be sent to the Mints of Calcutta, Madras, and Bombay such matrices and dies, and drawing, adjusting or other machinery as may be necessary to secure the coming of sovereigns and half sovereigns in exact conformity with the comage of the London and Sydney Mints except that there should be a minute Mint Mark (say C M and B for the respective Mints of Calcutta Madras, and Bombay) distinguishable only by practised persons with the belp of a magnifying glass.

From R. Sinson, Usq., S cy to the Gort of the N. W. Provinces, to Seen to Gort, of India, I'm Dept.,—No. 851 a, dated 25th At a st 1861

I am directed to forward for the consideration of His Excellency the Vicercy and Governor General in Conneil, the accompanying copies of a letter No. 531, dated the 1th instant, with its enclosure, from the Officiating Secretary to the Sudder Board of Revenue, on the introduction of a gold currency into this country, together with a Minute recorded by His Honor the Lieutenant Governor on the subject.

Copy, with copy of His Honor's Minute, forwarded to the Secretary to the Sudder Board of Revenue, North-Western Provinces, for the information of the Board

From W C Prown, Esq, Ofig Secy, to the Sudder Board of Revenue, to Secy to the Gott, of the N. W Provinces,—No 531, dated 4th August 1861

I am directed by the Sudder Board of Revenue to submit, for the consideration and orders of His Honor the Lieutenant Governor, copy of a Minute recorded by the Senior Member, on the introduction of a gold currency into this country

- 2 Mr Money admits without reserve the theoretical correctness of Mi. Mun's arguments, but is sensible of the difficulties that would attend their practical application.
- 3 Including the existing permanent settlements, about two-fifths of the revenue of India may be eventually assessed in perpetuity, and if a gold be substituted for a silver standard, and the value of gold fall, the loss on the permanent revenue will be in the exact proportion of the diminished difference between the values of gold and silver
- 4 The annual production of silver being about 10 millions, whilst that of gold is about 25 millions, an eventual fall in the value of gold appears to be *primd facie* inevitable. It is, however, argued from the experience of the last sixteen years that the value of gold will be permanently maintained. It has displaced silver in France, and much may yet

be absorbed in Eastern Enrope; but the question of most importance appears to the Junior Member to be, whether there must not be a limit to the power of India to absorb the precious metals

- He is of opinion that, however remote the period may be, that limit must be eventually reached. To assume the contrary would, he considers, be nearly tantamount to assuming that the civilization of this country will remain stationary If the last named position could be safely maintained it would follow that the absorbing demand for gold would be perpetual but the advance of civilization must necessarily create an increased demand for foreign products, and the silver currency having been displaced by gold, the demand for gold would decrease very nearly in the ratio of the increase of the imports. Gold would still be hoarded, and an annual supply would continue to be required to supply the place of the amount withdrawn from circulation, and there would be a permanent, though limited, demand for the metal as an article of luxury, but the excessive importation would cease on the establishment of an equality between the imports and exports. A continuous increase of the circulation of paper may moreover be reasonably expected and the demand for gold will be thereby proportionally diminished.
- 6 The increase of import customs revenue would probably more than compensate for any loss on the land revenue that might be due to the decreased value of gold but, assuming the land revenue ascessment to have been originally fair the payers thereof would in the contemplated event, benefit at the expense of the remainder of the community, who would be required to contribute more than their fair share of the hardens of the State.
- 7 The enactment of a legal provision for the exclusive protection of the rights of Government in its capacity of creditor would be inviduous but in view of the possible deterioration of the value of gold, it is worthy of consideration whether the establishment of a gold currency might not be accompanied by a provision for the periodical adjustment or declaration of the companies of gold with reference to silver Such periodical adjustment or declaration might be made at intervals of not less than thirty years. The provision might be to the effect that in the discharge of all debts and habilities whatsoever and whenseever contracted the sovereign shall be held to be equivalent to 10 rupess of the present currency up to the S1st December 1894. But in respect of all debts or habilities contracted in the cursing silver currency prior to the 1st January 1895, and which shall not have been discharged prior

to the 1st January 1895, payment thereof shall be claimable in gold at the valuation, with reference to silver, which to that end shall be then declared by an Act of the Legislature Provision might be made for similar adjustments after subsequently recurring periods of thirty years.

8. Land revenue settlements in perpetuity might be hereafter made with a condition subjecting them to similar recurrent equalization.

Note by W Mur, Esq, Senior Member, Sudder Board of Revenue, N W Provinces, on the proposal to make gold a legal tender, as affecting the permanent settlement of the Land Revenue,—dated 23rd July 1864

The Minute of Sii Charles Trevelyan on the gold question contemplates the present establishment of a double standard as a measure preparatory for the eventual constitution of gold as the sole standard, silver falling into the place of a merely subsidiary or token currency.

- 2 The proposed measure will affect in an important degree the permanent settlement of the land revenue. So long as the standard of the country was silver, the degree of future probable depreciation of that metal being so limited, it could be overlooked altogether. The chances of future loss from fall in the value of silver were clearly outweighed by the advantages of perpetual fixity in the demand, free
- * Paras 14, 37, and 69 of Minute dated 5th December 1861

from any condition depending on variation of value. For this reason I argued in a former paper against the admission of any such condition *

3 But the measure of future probable deterioration is vastly greater in respect of gold. The enormous accession to the annual yield must, if continued in any thing like its present proportions, eventually cheapen this metal to a serious extent. Little perceptible influence may yet be traceable to this cause, but the time has been too short, and a large quantity has been absorbed in France in the process by which of late years gold has there been displacing silver. The corresponding process, whenever it may take place in India, will in like manner absorb a great amount of gold. The same thing may likewise take place in other countries. Further, the expanding commerce of the world may require an increasing quantity of gold, and thus counteract to some extent the depreciating influence of the larger annual supply. But the time will come

when this annual supply, if maintained in any thing like its present magnitude, will have filled up all these voids and deficiencies, and then so far as human foresight can anticipate, a rapid fall must ensue in the value of gold.

- 4 The fall, whenever it does commence, will of course, affect all perpetual engagements expressed in gold currency. Even with a double standard of silver and gold the effect would be the same as debtors would of course make their payments in the cheaper of the two currences.
- 5 The result would be a corresponding virtual diminution in the land revenue. For example, the estimated share of a proprietor in the shape of rent is 1,000 manuals of corn, equal to say Rs. 1 000. The settlement is accordingly made at a half of that, or 500 rupees, equal to 500 manuals. By the introduction of gold the proprietor pays instead \$50 m sovereigns. But in the lapse of time if gold falls to say 80 per cent, of its present value as regards corn, silver and all other things then in order to secure the value of the original assessment at 500 manuals or Rs. 500, the payment in gold would require to be increased to £62-10 0. And the perpetuation of the demand in gold at the sum of £50 would have just the same effect as if the assessment had been reduced to 400 manuals in kind, or to Rs. 400 in silver 1. e., it would involve a deficit of 20 per cent, in the public revenues.
- 6 Now, therefore while we are entering into engagements with the proprietors of land and have the full right to annex any reasonable conditions to our contract it appears to me that we are bound to keep in view the interests of coming generations, and to consider whether it would not be just and equitable to leave the rulers of a future day the liberty, in the event of the contingency supposed to readjust the demands of the State in accordance with the original value of the assessment, in other words to revert to the original standard of 500 maunds, or of Rs. 500 m silver
- 7 It has been proposed to do this by allowing a modification of the demand according to the altered standard of agricultural prices. In the supposed case, it is assumed that the price of agricultural produce measured in gold would have risen 20 per cent, that is for the amount of corn which at the settlement cost £50 the market price has now risen to £60. Consequently the assessment should be raised from £50 to £02 10 0. But prices are hable to increase from other causes than the depreciation of the currency and moreover they fluctuate so as to render any test of this nature somewhat vague and uncertain

- 8 The same object would be gained by measuring the fall in gold, by the relative value of gold to silver, and enhancing the demand in the same proportion. This would be a definite, tangible, and accurate test and on the reasonable assumption that silver will not be subject to any great depreciation, it would seem to afford a practical and sufficient security for the public interests.
- 9 It has also this advantage, that it could to my apprehension be applied with perfect equity and justice to the permanently settled revenue of Bengal and of the Benares Division, the latter amounting to nearly half a million sterling. It seems to me an object of importance that the terms of the permanent settlement should be uniform all over the empire, and I should be unwilling to see the settlement, e.g., in the North-West, clogged with considerations less favorable than those in Bengal
- already permanently assessed are expressed in silver. The settlement was made in silver as representing the value of a corresponding share of the produce. Now, suppose we take the case of a private contract on a similar basis. A landed proprietor, for example, alreades his estate on condition that he shall receive a perpetual annuity of Rs 500. He does so in the knowledge that silver, the standard of the Indian Empire, is a currency not likely to be depreciated, and on the presumption that it will not be departed from. Had gold been the standard, possibly he would never have entered into the engagement, seeing that the enormous increase in its annual production is likely to diminish the value of the annuity to his children, if not to himself.
 - And hence it appears to me that a distinction may fairly be drawn in this respect between ordinary transactions and those, whether public or private, which are of perpetual obligation, or in which the term is absolutely indefinite, so far as the power of the receiver of the annuity is concerned. All ordinary transactions are of a temporary character. They are ordinarily fulfilled and completed within the term of a generation. An estate is mortgaged for a certain sum expressed in silver. By the time the mortgage is redeemed by the re-payment of the same sum expressed in gold, it is not probable that any material variation will have occurred between the values of the two metals, and it is reasonable, in consideration of the benefits and convenience to the public in having

all ordinary transactions expressed in a common standard, to require that the parties should treat such a mortgage, as if it had been concluded originally in the corresponding terms of gold

- 12 But the case would be entirely different with perpetual annuities, or annuities (as interest of the public debt.) not terminable by re-payment of the capital sum at the will of the recipients. The classes of cases of this nature are comparatively few in number, and they could be treated exceptionally without in any way disturbing or confusing the general course of social or national business.
- 13 It may be objected that no special condition of the nature con templated has been found necessary in countries where a change in the standard has been made. But I submit that when such change was carried out elsewhere the probability of a great end rapid deprecation of gold could not have been so clearly and strongly foreseen as it now is And therefore we are warranted and indeed bound, to give the subject a degree of consideration which it may not hitherto have received elsewhere
- 14 It appears then to me that it would be nothing more than equitable to treat all perpetual engagements and obligations (as above explained) for an indefinite period as if they had been entered into with the express condition that they were to be for ever discharged in allver, or rather in the equivalent value of the standard currency of the day
- If this be fair and equitable in the case of private engage ments, I can see no reason why it should be otherwise in the case of per manent settlement already made and expressed in silver. It cannot be in any measure unfair or inequitable for there is no meambeney no necessity in the nature of things, for a change in the standard. It is simply introduced for the public convenience and benefit, and there seems no reason why one class of the people should specially benefit by the change to the detrument of the great body of the nation, as they would do by contributing a smaller proportion than they had engaged towards the public expenditure or that any class of annuitants should suffer, if, without injustice or confusion and derangement in the conduct of mercantile and public business, it can be avoided. By the proposed adjustment there could be no breach of faith as regards the permanent settlement for under no circumstances would the remindar be required to pay one rupes, or one anna more than he now does. And as the tendency of silver itself is to become cheaper and it is not

concervable that by any contingency it could (as measured by agricultural produce) become dearer, the proprietors would not be taxed with the value of an additional maund or an additional seer of produce. On the contrary, by the inevitable rise in prices even as measured by silver, the amount of produce represented by the tax would become less and less.

- 16. It might be arranged that it should be in the power of Government, after a certain term of years, to effect the proposed readjustment by a Legislative enactment whenever the value of gold, taking the average of 10 preceding years, should be found, as measured by silver, to have fallen more than 10 per cent below what it was when gold was first made a legal tender
- slow and imperceptible a process, the increase of profits to the proprietor arising from the diminished value of his payments in gold would also take place slowly and imperceptibly, and that a gradual enhancement of income of this nature would come so naturally to be viewed as property, that it would be a hardship after the lapse of years to resume it for Government. But the condition is so simple and clear, and the measure of depreciation and of readjustment so easily ascertainable, that it would be notorious, and if not always borne in mind, it would be the proprietor's own fault. It would be an incident of the property that could not in the least degree detract from its value.

Minute by the Hon'ble the Lientenant Governor of the North-Western Provinces,—dated 20th April 1864

The demand for a gold currency in India, as remarked by Sir C Trevelyan, rests upon mercantile rather than upon monetary considerations

Viewed as a currency question, the provision of a recognized gold coin of fixed value will no doubt be convenient, but it is not absolutely necessary and the introduction of a paper currency has diminished the need for it even as a matter of convenience

The difficulties attending a double standard are evaded by Sir C Trevelynn a proposition not by depreciating the gold coin, but by under valuing it relatively to silver, or in other words forestalling a depreciation in the value of gold itself

How far this measure will succeed in creating a market for Austra lian gold must be decided by experience but its effect upon the currency will be very slight for gold coin of the value of ten rupees will generally be employed only for hourding or for conversion into ornaments.

It may indeed and probably will come to be used to a certain extent by travellers, and will in this be aided by the breaking up of the note currency into circles but this will not affect the general circulation which for a long period to come must necessarily counst of rupces.

It might perhaps be determined to coin gold rupes, and it is in this form only that gold could be brought into general circulation but the only probable ground for such a measure is an insufficient supply of silver for the requirements of circulation and of this there seems to me demand of late years prices have shown but an inconsiderable variation and the latest information gives reason to anticipate a large increase rather than a falling off in the supply

It is by no means impossible therefore that the value of silver may fall quite as much as that of gold, and the only true remedy, so far as the permanent settlement of the land revenue is concerned in the adoption of a grain standard instead of that of either of the precious metals.

For the regulation of rents as between landlord and tenant, I regard such an arrangement as highly dearable, for although it may be true that rents are affected by other causes than the price of agricultural produce it cannot be denied that a permanent rise in the market price of grain ordinarily used as food is a very clear indication of a fall in the relative value of money, and therefore a legitimate ground for a rise in rents

But a provision of this kind, however theoretically correct and justifiable, would, if applied to the permanent settlement, be productive of so many doubts and fears among the natives as to forbid all idea of its introduction

It will be seen from the above that I do not share in Mr. Muir's apprehensions either as regards the introduction of a gold currency, or as to the probable greater depreciation of gold than silver

The Government of India have proposed a safe step in the admission of gold at a value fixed by themselves, which removes all fear of its competing with silver, and which it can at all times change, and practically I believe there is little reason to expect the substitution of gold for the present Silver Currency of India for many a long year to come.

The discussion of the subject therefore in relation to the permanent settlement seems premature—that settlement will here as elsewhere be expressed in rupees, and it may be safely left to the wisdom of the Legislature, whenever the question of introducing a gold currency comes seriously to be entertained, to provide a sufficient remedy for any loss that it will entail upon the revenue, by means which will apply uniformly to Settlements in all parts of the country

From E H Lushington, Esq, Secy to Govt of India, Finl Dept, to Secy to the Govt of the N W. Provinces,—No. 2397, dated Simla, 12th September 1864

In reply to your letter No 854, dated 25th August 1864, I am directed to observe that the Hon'ble the Lieutenant Governor has, in the opinion of the Governor General in Council, taken a sound general view of the question raised in M1 Mun's Minute

2 The objections to a periodical readjustment of the legal value of gold and silver coins would be extremely serious, but it is not necessary to enter upon them, for it seems probable, from the experience of late years, that as gold and silver both enter into the composition of the circulating medium of the world, and both used as articles of luxury, if gold should be lowered in value by a considerable increase in its quantity, silver would, in the absence of new fields of consumption, also sustain a fall

3 Looking, however, to the decrease in the production of gold in Australia, owing to the exhaustion of the alluvial deposits, and to the rapid increase in the demand for the precious metals in India and other parts of the world for currency, plate, ornaments, and hearding, it is probable that their depreciation has reached its limit.

Forwarded to the Right Hon'ble the Secretary of State for India, in Financial Letter No. 120 of 1804, dated the 18th September

Financial Despatch from the Govt of India, to the Right How'ble the Secy of State for India, -No 120, dated Simila, 13th September 1864

We have the honor to forward for your information copy of a cor respondence with the Government of the North Western Provinces on the bearing of the introduction of a gold currency upon the permanent sottlement of the Land Revenue

Notes by Mr G. Arbuthnot,

On SIR CHARLES TREVELYAN'S Minute on a Gold Currency for India.

Treasury, Whitchall, 16th September 1864.

The question of the adoption of what is usually termed a double standard, but which would be more appropriately designated an alternative measure of value in the currency of a country, is always a difficult one, but the proposition submitted with respect to the currency of India is further complicated by its novelty, both in respect to the object to be attained, and the mode by which it is hoped to accomplish it.

- 2. In other countries, with the exception of the British Colonies, the measure sought to be attained has been to allot such a proportion of gold and silver to the current national coins, consisting, respectively, of those metals, as would give an equal relative value to each in a common denomination of account. In India it is proposed to legalize the currency of the existing coins of two different countries, whose money of account has nothing in common. In other countries, including the British Colonies, the principle aimed at has been to give a nominal concurrent value to coins of the two metals, according to the average value which gold and silver bear to each other in the general market of the world. In India it is proposed to follow a course founded solely on local considerations, uncertain in their effect, and possibly of an evanescent character.
- 3. Before discussing the particular measure proposed by Sir Charles Trevelyan, it may be desirable to clear the way by disposing of some of the preliminary arguments introduced in his Minute on points of general application.
- 4. It may at once be conceded that the substitution of a gold for a silver standard, if it could be effected without derangement of current business, and without evident depreciation of the measure of value, would be unobjectionable on principle in regard to its effect on existing contracts. Though the precious metals have greater fixity of value than other products, and are on that account adopted as the best regulators

36-

of prices, they are liable to fluctuation in respect to the proportion which they bear to each other, and to commodities generally, and it would be a pedantic subservious to Regulation to maintain that a debt contracted for a paymont in silver should never be discharged by its equivalent, at any given period, in gold. On the same consideration an alternative measure of value, if nicely adjusted, may be regarded as unobjectionable in principle.

- 5 We may dismiss, in reference to this part of the question all conjectures regarding the future supply of one or other of the precious Sir Charles Trevelyan apprehends difficulties from a diminition of the supply of silver; but the history of the world has not hitherto afforded any alarming indications of a great alteration in the relative production of gold and silver. It is said by well informed persons that the supply of silver is on the increase arising partly from the discovery of new mines of that metal in California, and partly from the increased facility of extracting silver from the ore, in consequence of the opening of new mines of quickelver On the other hand, though new gold fields have been discovered, the yield from those of Australia has decreased and this fact would seem to confirm the experience of former days that gold has nearer to the surface of the earth, and is therefore sooner exhausted than veins of silver. The relative value of these metals will be governed ultimately by the amount and quality of the lahor employed in their production. In the mean time their relativo prices in the market afford the only safe guide, and these do not confirm the opinion entertained by Sir Charles Trevelyan on the subject.
- 6 We may in like manner dismiss speculations on the supposed fitness of different forms of currency as applicable to different stages in the growth of a nation. Sir Charles Trevelyan considers that a natural law exists hy which the currency should pass from rude mate rials first to silver, then to gold, and ultimately to paper as the representative of gold. But there is no example of this order of sequence in the commercial history of the world. In Great Britain in Franco, and in the United States, the use of a paper circulation existed (sometimes to excess) long before the adoption of a gold standard and a sound paper ourrency may be founded on the basis of either metal indifferently
- 7 The subject matter for counderation is eminently a practical one though it is unusually entangled by a variety of uncertain elements, which suggest motives for caution rather than confident speculation.

The movement of the precious metals since the discovery of new gold mines has been governed by many contingencies, not immediately referable to the increased supply of that metal, nor even to the vast development of the commerce of the world arising from the establishment of free trade in Great Butain.

- If other things had remained the same, the natural effect of the gold discoveries would have been a re-distribution of the precious metals throughout the currencies of the world After providing for a circulating medium among the new industrial communities attracted to the gold fields, the surplus metal would find its way into currencies of countries which are based on a gold standard It would displace silver in countries having a mixed enculation; and the latter metal would flow to places in which it constitutes the standard of value. By such means emrencies consisting of silver would be mereased correlatively with those of gold, and nominal prices would be generally raised throughout the world During the progress of the change the value of the precious metals in relation to each other would be hable to considerable fluctuation.
- These effects in part followed the first discoveries of gold in California and Australia They were arrested or modified by the vast development of trade, the mercased well-being of the masses of the population, and with it the opportunity and habit of Railway travelling, all which led to the requirement, ecitainly in England, and probably in other parts of the world, of a great addition to the circulating medium for the purpose of retail traffic
- But the main cause of disturbance in the natural flow of the bullion trade has arisen from the fortuitous character of our trade with the East, which has prevailed ever since the new discoveries of gold, and has baffled conjecture. The opening of new ports for trade in China led to a great augmentation of imports into Great Britain and the United States, in excess of the exports to that country mission of tieasure on account of capital laised in this country for Indian railways followed, then the loans on account of the expenditure for the suppression of the mutany, and, lastly, the money required for the purchase of cotton in India in consequence of the Civil wai in To these events may be added the opening of trade with Japan

II In all these cases large remittances of silver have been and are still required to adjust the balance of trade, and though the operation has been continued for some years, it has been ewing, in the case of India, to circumstances of a very exceptional character

12 It is argued by Sir Charles Trevelyan that there is no want of additional circulating medium in India, because prices are universally

- high and that high prices " are a certain indication of a full state of the erculation, because, whatever may be the causes which create a ten denoy to a rue in price, they would be held in check if the circulating medium were deficient." This dictum cannot be accepted without multication Prices are a relative indication of value and no sound conclusion can be formed as to what really constitute prices sufficiently high to govern the circulation of specio unless a comparison be made between the different causes in operation at the present time and at times when prices of commodities were comparatively low. It is true that in the case of trade between countries whose exchanges are gen crally well balanced, and the supply of specie is in a normal condition. low prices attract, and high prices repel money But this theory fails in its application, when in consequence of an increased supply of one or other of the promous metals, a new distribution of them is in progress throughout the world, and when a new trade or a new demand for labor springs up in a country in which the wages of labor are low. In the latter case a long continued influx of specie and anginentation of the menlation is compatible with a continued rise in prices. It is probable that with the new demand for labor in India, the internal trade of the country has creatly marensed and that with that increase there has amon a necessity for a large addition to the circulating medium. Much of the money supplied is no doubt hearded or ultimately converted into ornaments, but the primary want is coin, an adequate supply of which, or its equivalent in notes can alone avert a recurrence of the crises which are described in the Minute. It is this want, indeed, which has given an impulse to the
- 13 It is this want, indeed, which has given an impulse to the present demand from merchants and trading bodies for the adoption of a gold subsidiary currency in India. The superior convenience of a gold orientation over silver for purposes of transport and for use in transactions above the ordinary dealings in the market is obvious. Yet many rich countries have employed silver as the standard of value without sensible disadvantage, and in a country like India, coins of inferior

denomination must be most required. It is probable, therefore, that the present movement would not have arisen if the internal traffic of the country had been alone in question, or if the machinery of the mints had been sufficient to have met the demands for the coinage of silver periodically remitted in such large quantities for payments due from England, which will probably continue so long as the present abnormal demand for cotton lasts.

14. The proposal is to ease this pressure by declaring sovereigns a legal tender in India, as the equivalent of ten rupees, and a variety of Returns is furnished to prove that by a comparison of prevailing prices between gold and silver in India, there is a probability that sovereigns will freely pass in payments at that rate. The Returns themselves, even if the conclusions derived from them are correct, do not seem to me to prove that, with every allowance for the peculiar condition of the bullion trade in India, the price of Sovereigns at Calcutta (either British or Australian) is such as to allow of their importation in large quantities for the purpose of circulation at ten rupees. An examination, however, of the Statistical Tables raises doubt regarding the completeness of the calculations comprised in them, and the general conclusions founded on them appear to me to be altogether erroneous.

The information on which the scheme in the Minute is founded is mainly derived from the paper furnished by Mr Dunlop (Appendix No 8). This gentleman appears to have collated with intelligence, and, I have no doubt, with great accuracy, the Returns accessible in India* of the imports of gold and silver and of their relative prices.

15. Reasoning founded on statistical compilations is, however, proverbially delusive, unless attention be given to collateral facts. No sound conclusions can be formed from averages taken from monthly statements of the prices of gold and silver without information regarding the amount sold in each month, and the circumstances under which each remittance was made. A merchant or banker is not governed in his dealings by averages, but by his calculation of the immediate profit

^{*} I may, however, observe that the table of the selling prices of bar gold and silver of standard quality in London is calculated to convey an erroneous impression. The prices of gold which Mr. Dunlop quotes are evidently those of what is technically called "bar gold parting," that is, gold containing silver in the alloy which may be parted in the refinery. Generally speaking, it means Australian bar gold, which, on account of the silver contained in it, bears a higher price than standard gold of the quality that is taken to the Mint.

to be derived from each transaction. The flow of the precious metals is governed by the exchanges, and a turn of 1 per cent in them might be sufficient to send gold from one end of the world to the other. Take, for example, the price of Australian Sovereigns at Calcutta in the last three fortnights of 1863, viz., Rs. 10-5, Rs. 10-16, and Rs. 10-1, the average of the three quotations would be Rs 10-26 but supposing sovereigns to the extent of £150,000 were sold in the first fortnight, and to the extent of £50,000 in each of the following fortnights, the price realized for the whole would be Rs 10-3-6 Something of this sort actually occurs in trade.

- 10 The remittance of sovereigns from England to India is governed by the price of silver and the quantity procurable in London at the time and the price at which bills on London can be purchased in India. Gold is sent in order that the value may be returned, with profit, in the shape of bills. In the month of December 1863 the price of silver in the London market rose to be 14d. Not only, however was the high price, but the quantity in the market was insufficient for the amount of remutances required. Time is precious in mercantile transactions, and those who deal in the business of remittance and exchange could not afford to wait for expected arrivals. Gold was therefore sent in place of silver and I learn from a Return of the Custom House that the large amount of £342 615 in gold specie was shipped for Egypt on the 9th of December 1863, the hulk of which was destined for India.
- on average prices, that British coined gold can "be laid down in Coloutia at Ha. 10-4-10 per sovereign." I have ascertained from the Manager of the Oriental Bank that the actual cost of sovereigns sent to India by that establishment in 1863 was in the rate of Rs. 10-3-4. The difference is important, because much stress is laid in the Minute on the economy of direct transmission of gold from Australia to India. There is, no doubt, a saving of expense under existing circumstances in adopting that course and that merchants are not slow to avail themselves of the advantage is shown by the fact that out of imports of gold into India, amounting to nearly £3 000,000 in the year 1863, more than two-thirds were drawn from Australia. Yet more is deduced from this advantage than the facts wurrant. No allowance is made as a set-off against increased freight, for the charge for refining gold in Australia which is higher by 1 per cent, than that of the London refineries.

reference is made to the rise in the price of gold in Australia in consequence of the Indian demand, and sufficient consideration is not given to the circumstance that, notwithstanding the facilities afforded by the Australian market, it has yet been profitable to our merchants to send direct from London one-third of the gold required in India.

- 18. I dwell upon this point because it appears to me that the prime fallacy in the proposed scheme is founded on the sentence of the Minute that—
- "The sovereign must be rated, not with reference to its value in England, but solely with reference to the cost at which it can be obtained from the cheapest source of supply, that is, from Australia"
- 19. The whole question turns upon this assertion, and it is important to examine it, because if it be a fallacy, all the authorities consulted in India by Sn Charles Tievelyan appear to concur in it, with the single exception of the Hon'ble Claud Brown, whose letter is published (Appendix No. 9) with candom, but without the attention which it deserves.
- 20. It might be a sufficient practical answer to this suggestion to observe that if the importations of treasure into India are to go on at their present rate, and if the proposed measure were to bring about the expected result of inducing the transmission of gold in preference to silver, Australia could not supply more than one-fourth of the amount required, even if the whole of its produce of gold were sent thither. It is shown in one of the tables in the Appendix to the Minute, that the amount of treasure imported into India in 1863-64 was £26,147,200, and it is shown in the Minute itself, that the produce of the Australian gold-fields in 1862 was only of the value of £6,685,192 with "a decided tendency to fall off."
 - It may further be observed, that the gold imported into Great Britain is drawn, in the course of trade, from almost every country, and that Australia supplies but a comparatively small proportion of the amount. According to the Returns of the Board of Trade, the value of the registered imports of gold bullion in 1863 was £19,142,665. Of this only £5,995,368 was derived from Australia. A great part of these general imports is employed, through the operation of the exchanges, in acquiring silver for transmission to India, and if, by an alteration of the Currency laws, silver should cease to be the preferable medium of remittance, gold would be sent direct to India from England, instead of being used circuitously in the purchase of silver

- 22 The principle involved requires, however, further investigation, and I propose to direct attention to the experience to be derived from the proceedings of other nations which have adopted a mixed currency, and to draw inferences from that experienced in regard to India.
- 23 I will first refer, in some detail, to the case of the United States, because the proceedings of that Government afford an example of the effect, on a currency, of small errors in calculations of relative value, and because the history of those proceedings is not correctly quoted in the Minute
- 2.3 The first Act of Congress for the regulation of the Currency of the United States was passed in 1702. It enacted that "there shall be from time to time struck at the Mint dollars and units, each to be of the value of a spanish dollar, and to contain S711 grains of pure, and 410 grains of standard silver." The Eagle (or 10-dollar piece) coined after this, contained 2471 grains of fine gold.
- 25 It may not be unworthy of remark that Congress in its first search for the 'almighty dollar' deviated from the coin proposed for their model, as the average contents of fine silver in the Spanish dollars was about 876 grains. The authorities of the United States thus began their operations by a depreciation of the currency to the extent of more than I per cent.
- 26 It will be observed that the relative valuation of the gold com to the silver dollar gave the proportion of 1 of gold to 15 of silver; and as the average relation of the two metals to each other in the gen eral market was at the time as I to 167 gold was under valued in the corrency and the new colver dollar became the practical standard of value in the United States. This state of things continued until 1834 when an Act was passed reducing the contents of fine gold in the Engle to 232 grams, thus altering the proportion of gold to silver in the currency from 1 to 15 to 1 to 16 Gold being thus over valued became the prefarable medium of exchange and a further depreciation of the currency was established. Subsequent Acts altered the proportion of alloy in the two descriptions of coin, but made no appreciable alteration in their relative contents of pure metal After 1831 the quantities of gold taken to the United States Mints for coinage greatly exceeded the quantities of silver, and the comago of the silver dollar and its subdivisions was limited to the requirements for a circulation of the lower

denominations. Although the coinage of silver under this system was expensive, no material inconvenience appears to have been felt until after the discovery of the gold mines of California, when the relation of the two metals to each other was altered to an extent which rendered it profitable to collect the small silver coins for exportation To remedy this evil, an Act was passed in 1853, not altering the old silver dollar (that is, the whole dollar) but authorizing the coinage of half dollars and lower fractions of a dollar, at the rate of 192 grains for the half dollar in silver of nine-tenths fineness, which should pass for a limited tender of payment on the principle of the token comage of Great Bri-After the passing of this Act the coinage of entire silver dollars fell into disuse, and the last coin of this description was issued in 1857. Legally, therefore, the double currency of gold and silver still exists in the United States, but gold became the practical measure of value until displaced by the recent excessive issues of Government Paper money.

- In France the attempt to establish a double medium of ex-27 change was more nearly adapted to the prevailing relative value of the two precious metals. The proportion adopted was as 1 of gold to 152 At these rates silver was the cheaper tender of payment until after the new discoveries of gold, but the difference before that event was not so great as to preclude the use of gold entirely, and it passed current at a varying premium In certain conditions of the exchanges, gold passed between London and Paris in adjustment of payments, and the same bag of gold has been known to make several journies in these transactions
- It is unnecessary to refer to other European countries in which a similar system has prevailed; and it is sufficient to observe that. under its operation, gold and silver were both available for the adjustment of mercantile transactions on the Continent of Europe.
- I will, however, make a passing remark on the application of this principle to the currency of the West Indies, because Sir Charles Trevelyan has called attention to a paper written by me in 1858, in which reference is made to this subject, and because the arrangement of 1838, for the regulation of the currency of the British Colonies in that part of the world, affords the most perfect example on record of a successful adjustment of a mixed eurrency. The arrangement is so fully described in the extract from my paper (Appendix No. 7), that it is unnecessary here to repeat the details

- 30 Sir Charles Trevelyan has referred to my labors under him and with him in and for the public service, in terms so gratifying that I am sorry to find myself in opposition to him on the present occasion. But his candour has hitherto led him to bear much from me in our mutual discussions on financial and other public matters, and he will not, I feel sure, object to my stating that I regret the use made of this document, which does not, I think, bear out the inference which he derives from it.
- The paper from which the extract is made was written for the purpose of proving that the arrangement, which was successful in the West Indies, was mapplicable to the Colony of Hone Kone and for like reasons I consider it mapplicable under existing circumstances to India. I think that the extract itself shows that the conditions which rendered the transition from a silver to a gold currency in the West Indies, easy and unobjectionable are not to be found in India. In the West Indies, coins of the two metals were rated for organistion on a fine calculation of their relative value and British silver, which combining with that relative valuation represented fractional parts of both descriptions of coins, constituted as it were a pivot on which a change from one to the other could be made, without derangement of contracts or current business. In India both these meredients are wanting There is no concurrent valuation of gold and silver coins to form the foundation of a change, and there is no subordinate comage which can be adapted equally to the current money of India and Great Britain
- 32 It will be obvious that mall the foregoing cases, a common prevailing price constituted the basis on which the regulation of the concurrent use of gold and adver come was attempted, and that the practical results have depended on that prevailing price and its latter variations. The currences of France, of the United States, and of the West Indies were influenced by a common cause.
- 88 We find no room for speculation on the sources of the supply of the precious metals. Before the recent discoveries, the principal supply of gold was derived from the Ural Mountains but it was not found that gold, for permanent and practical purposes of regulation was cheaper in the countries bordering on Russia than in America.
- 34 Gold derived from America is constantly sent back from London to the Brazils in the course of trade In 1803, gold of the value

of £2,707,857 was sent from Great Britain to Russia, a gold-producing country, and re-imports thence of the value of £904,532 occurred in the same year. When once sent on its travels, the original attribute of peculiar value is lost, and gold of the same quality becomes of the same value whencesoever it may be derived, and whatever may be the cost of the labor which produces it.

- 35. On what ground, then, is it supposed that the general law is inapplicable to India, and in what way are we to account for the undoubted fact that gold is relatively cheaper in India, as compared with silver, than in London?
- 36. The apparent anomaly is owing to the exceptional position which India holds, and is easily accounted for.
- 37. Silver is the standard, and the regulator of prices in India, to the entire exclusion of gold as a measure of value. It is so generally in the East Except in the comparatively small communities of Ceylon, Mauritius, and Manilla, and doubtfully in Japan, gold hardly enters into the currencies of the vast regions eastward of the Cape of Good Hope and northward of Australia It follows that it is comparatively depreciated there when measured by the silver money of those regions. The material of that money, purchased with gold in London, must bear the charges of freight, insurance, interest, and mintage, amounting in India to 5½ per cent (as correctly shown in Mr. Dunlop's paper) before it can be brought into circulation in India. It is by this silver measure of value, thus enhanced in price, that the cost of the Australian sovereign is estimated in Sir Charles Trevelyan's Minute.
 - 38 Remove the impediment to the concurrent circulation of gold with silver, and the cause of this difference of value between the two metals in the west and the east will disappear. The tendency, at least, must be to an equalization of the general rates of the bullion market in both quarters. It is therefore the price of silver, in London, and not the price at which sovereigns can be laid down at Calcutta from Australia, as estimated in present currency of India, which should be regarded as the point for consideration in this matter.
 - 39 And this constitutes the main difficulty in devising any measure for the introduction of a gold currency into India Experience is wanting for a guide. During the first half of the present century, there was little variation in the comparative value of gold and silver. The normal price of silver of British standard in London was about 60d the ounce.

The new discoveries of gold disturbed this relation, and the price of silver has of late years been subject to so much fluctuation, that it would be difficult now to fix an average for the concurrent circulation of come of the two metals. But this is not all Although the ultimate value of grold and silver must, as before observed be derived from the value of the labor employed in their production, their immediate price is governed by the law of supply and demand to an extent, and sometimes for a prolonged period of time exceeding that which applies to other commodities. The price of standard silver in London has been mainly influenced of late years by the abnormal requirements for India. When the demand for transmission of silver thither has been great, the price in London has rison; when it has temporarily ceased it has fallen-on one occasion even to an extent which touched the point at which it would have been profitable to send silver to France. Any measure therefore which would lead to the practical employment of gold in preference to silver in the currency of India would cause a cossition in this demand and lead to a reaction in the appeard tendency which has of late prevailed in its price as comnared with gold

- 40 On this ground it would seem to be rash to attempt, at the present time, any permanent regulation which, if effectual for the establishment of gold in the currency of India, must be of doubtful tendency, and if ineffectual would be simply defunive, and therefore not creditable to the foreaght of Government.
- 41 A tentative and experimental course would seem the wisest policy in this intricate matter. I understand that the Secretary of State proposes to authorize the recent of sovereigns at the rate of 10 rupees each in payment of the revenue. Although this measure will not probably give currency to British money at this rate at the Presidences it may lead to its increased use in the Provinces, where, on account of the convenience of transport it will find its way at less cost than silver; and if the sovereign is officially recognized as currency in any part of India, it may perhaps be recented in payment at the Presidences at a varying premium just as gold formerly passed current to a limited extent in France. The experiment is worth a trial, and will afford a sure test of the various speculations which have provailed on the subject.
- 42 It might tend to afford relief in times of pressure, if the printing or pressure extended to the issue of Notes in exchange for sovering as deposited at the same rate. If such issues were allowed as a temporary

expedient, on the condition of allowing the depositors to redeem their gold within a limited period, the difficulties arising from the delays in the comage of silver might be greatly alleviated. The transaction would be as safe for the Government as the receipt of sovereigns in revenue payments. It will be seen that the practical objection to which Sir Charles Trevelyan refers in an extract from a paper of mine would not apply to an issue of notes on a deposit of gold for an amount below its intrinsic value. The objection entertained by Mr. Wilson on the subject, on which Sir C. Trevelyan dwells, is at best more a theoretical than a practical one, not borne out by the experience afforded by the practice of the Bank of England, and it will probably be admitted that a measure which may be a gain to the mercantile community by giving them the command of money when needed, will not result in "pure loss" to the Government.

G ARBUTHNOT.

Financial Despatch from the Right Hon blb Sir Charles Wood, Bart,

G. C. B., Seey of State for India, to His Excellency the Right Hon ble
the Governor General of India in Council—No 224, dated 26th
September 1804

I have received your despatch dated the 14th July last No. 89 enclosing the elaborate Minute of Sir Charles Trevelvan and the valuable papers contained in the Appendix, on the subject of introducing gold into the currency of India.

- 2 The practical proposal of Sir C Trevelyan on this subject, in which you express the concurrence of your Government is to make the gold sovereign and half sovereign legal tender in India for ten and five rupees respectively, concurrently with silver rupees and ultimately to establish a gold standard and currency in India, as in England and Australia, with a subsidiary comage of silver, the silver come not possessing the intrinsic value which they represent, and being legal tender only to a certain amount.
- 3 I have carefully considered in Council this important question which indeed has occupied my attention for some time, and which, as you will have learnt from the public journals, has been the subject of a debate in Parliament.
- 4 I lose no time in making you acquainted with the views which Her Majesty's Government entertain upon this subject for I concur in the opinion that it is desirable that their decision on the question should be made known as early as possible in India.
- 5 It is obvious from the information collected by Sir C Trevelyan that there is a very general desire for the introduction of gold coins in India; that the people even in the upper and remote parts of India are well acquainted with the sovereign and that there is a very general impression that the introduction of the sovereign would be well received and that it would circulate freely at ten rupees. Nor can there be any doubt of the advantage to India, England and Australia, if the gold sovereign could be made the basis of their common currency
- 6 It is not proposed at once to change the standard coin of India and indeed it would be a very serious measure hastily to attempt so great a revolution in the habits of the people. There is great wisdom in the

observations of the Chamber of Commerce at Calcutta, that they are "strongly in favor of the introduction of gold as an auxiliary currency and as a tentative measure, which they believe will gradually but surely lead to the adoption of gold as the general metallic currency of this country, with silver as the auxiliary; but they are opposed to any sudden change being attempted, fearing that any such attempt would prove unsuccessful, and be likely to cause great derangement in the commerce and finance of India"

- 7 The only practical measure, therefore, to be considered is the establishment of a double standard of gold and silver, the gold sovereign being legal tender for the same sum as ten silver rupees.
- 8 I will not stop to discuss the general question of establishing a double standard, but it appears to me that there are great practical objections in the way of adopting the measure actually proposed.
- 9 It is only necessary to state that, where comes of the two metals, gold and silver, are equally legal tender, those of the metal which, at the relative legal rating of the two metals, is cheapest at any period, are thereby constituted the currency, and the metal of which they are made becomes practically the standard at the time, and further that a very slight difference in the relative value of the two metals may change the standard and the whole currency of a country
- 10 The readiest illustration of this truth is the recent change in the circulation of Fiance. In that country coins of gold and silver were equally legal tender. Gold coins containing one ounce of gold were legal tender for the same sum as silver coins containing 15½ ounces of silver.
- Before the recent discoveries of gold an ounce of gold was worth, in the markets of Europe, nearly 15% ounces of silver. It was, therefore, according to the relative legal rating of gold, and silver, more advantageous to pay in silver than in gold. Silver coin, therefore, for many years formed the currency of France, the gold coin bearing a premium. Since the recent discoveries of gold, the value of gold relatively to silver has fallen to about 1 to 15%. This difference has rendered it more advantageous to pay in gold. Gold has displaced silver, and now forms the currency and standard in France.
- 12 It is obvious, therefore, that whether the sovereign, rated at 10 rupees, can circulate to any extent in India, concurrently with the

silver rupees, depends upon the question whether it will be cheaper to meet an obligation of the amount of 10 rupees by a gold sovereign or by 10 silver rupees.

- 13 In examining this point, it is enough to refer to the information and the calculations contained in the Appendix to Sir C Trevelyan's Minute as to the value of the severeign in India.
- 14 In these calculations the value of gold ${\bf m}$ of course taken in rupces of the Indian silver standard
- 15 There are two modes referred to in those papers by which sovereigns might be provided for the currency of India first, by coming them in India, secondly, by importing English or Australian sovereigns.
- 10 With regard to the first proposal of coming sovereigns in India, Mr Brown's paper contains a calculation of the cost at present of producing a sovereign at a Mint in India, and he estimates it at Rs. 10 4-6
- 17 With regard to the second proposal of importing sovereigns, Mr Dunlop's paper estimates the price, calculated in rupees (and the rupees taken at the fight part of an English pound), at which an English sovereign can be laid down at Calcults at Rs. 10-4-10, that of an Australian sovereign at Rs. 10 2-9
- 18 The prices at which Australian sovereigns have been actually sold at Calcutta according to Mr Dunlop's paper give a higher value for the sovereign than this and the prices of English sovereigns which I have received from Bombay, are also rather higher than the price above given.
- 19 I do not know that, in the present exceptional state of the markets for produce in India, the present prices of the precious metals are a good enterior of their value. On referring to the prices of silver in the markets of Europe, the intrinsic value of the soverage in rupees would seem to be about Rs. 10-8 at the present price of silver in London, and about Rs. 10-12 at the price which prevailed some time before 1850
- 20 At the present prices of gold, with the various charges of bringing it to India the value of the soveragn must according to these statements (and it is by these statements that Sir C. Trevelyan's proposal is supported), be so much above that of 10 silver rupees that for the purpose of making any payment, the latter coins must necessarily be preferred to the sovereign

- 21. If there were the means of coming sovereigns in India, it would be more for the advantage of the holder of bullion to carry silver to the Mint for coinage rather than gold, and it would be more for the advantage of the exporter from England to send silver to India rather than gold or sovereigns. Even if the sovereign is imported from Australia, it would be more valuable in India than 10 silver rupees
- 22. If the use of gold in the currency of India enhanced its value there, as is probable, and if the anticipations which are generally entertained of a diminishing supply of gold, and an increasing supply of silver, should be realized, the difference in favor of the employment of silver coin will be greater even than it is at present.
- 23 I cannot but think, therefore, that to enact that a sovereign should be legal tender at 10 rupees, with the view of introducing it largely into the currency of India, would be totally inoperative, and it is very inexpedient to enact a law which would have no practical effect, and which it might be necessary to alter in a very short time
- I am unwilling, therefore, to sanction such an enactment, but at the same time I see no objection to reverting to a state of matters which prevailed in India for many years, namely, that gold coin should be received into the public treasures at a rate to be fixed by Government, and publicly announced by proclamation.
- 25 This was the case with the gold mohur, or 15-rupee piece, from 1835 till Lord Dalhousie's proclamation in 1852, and with other gold coins previously to the reformation of the currency in 1835
- At their present value, there can hardly be a question of the readiness of the people of India to receive sovereigns for 10 rupees, and if any difficulty should be apprehended about their doing so in parts of the country distant from the Presidency towns, it will be obviated by their being received at that rate into the Government treasuries. I do not anticipate the least risk of loss to the Government by so receiving them. One of the Appendices to Sir C Trevelyan's Minute shows that the sovereigns received into the treasury of the Madias Presidency were sold at a profit. The only possibility of loss is such a change in the value of gold as would make a sovereign worth less than 10 rupees, and, for the reasons which I have given, I do not anticipate any probability of this being the case. If it should happen, it would be a very simple measure to alter the rate at which they were received

- 27 The obligation which is imposed by mixing a coin legal tender is only an obligation upon the receiver to take it for a given sum. No obligation is imposed by such an emertment on the person paying. It is obviously unnecessary to impose an obligation upon any one to receive a sovereign for more than its value, and as the person paying, by whom, in fact, the coin is put into circulation, has the option of paying either in gold or in silver, the question as regards the introduction of the sovereign into circulation at the rate of 10 rupees must depend upon whether it would be worth the while of any person having a payment to make to carry gold to a Mint to be comed into sovereigns, or to import sovereigns, in order that he may have the power of paying a sovereign in discharge of a debt which he may equally discharge with 10 silver rupees.
- 28 It is not probable that, at the present relative value of gold and silver, any one would incur the loss which such a proceeding would cause, but if the convenience of the sovereign circulating at the rate of 10 rupoes is so great as is represented in Sir C Trevelynn's Minute and the accompanying papers, it is possible that this edvantage may counter behave some loss.
- 29 Whether it would do so and to what extent, can only be deter mined by experience and I am of opinion that it may be desirable to try at once, as an experimental measure the course which I have suggested.
- 30 I wish you therefore, to declare and to make it publicly known by proclamation that sovereigns and half sovereigns according to the British and Australian standard coined at any properly authorized Royal Mint in England or Australia and of current weight will until further notice, be received in all the treasuries of India for the same sum as 10 and 5 silver rupees respectively and will be paid out again at the same into, unless objected to.
- 31 This measure appears to be entirely unobjectionable. It is in accordance with the cutious and tentative course recommended by the Chamber of Commerce of Calcutta it will, as far as it goes, facilitate the use of the sovering and half-sovering in all parts of India it will pave the way for the use of a gold comage in whatever shape it may ultimately be found advisable to introduce it and, at the same time it establishes a preference in favor of the sovering.

Notification by the Govt. of India, Finl Dept,—No 3517, dated 23rd

November 1864

The Governor General of India in Council, considering it expedient that the circulation of British and Australian sovereigns in all parts of British India and its dependencies should be encouraged and facilitated, is pleased hereby to direct that, from and after the publication of this Notification, sovereigns and half-sovereigns coined at any authorized Royal Mint in England or Australia of current weight,* shall, until further notice, be received in all the Treasuries of British India and its dependencies in payment of sums due to the Government, as the equivalent of ten and five rupees respectively, and that such sovereigns and half-sovereigns shall, whenever available at any Government Treasury, be paid at the same rates to any person willing to receive them in payment of claims against the Government

Notification by the Govt of India, Finl Dept,—No 3518, dated 23rd

November 1864

The Governor General of India in Council is pleased to direct, under the authority vested in him by Act XIX of 1861, Section 9, that Government Currency Notes shall, until further notice, be issued at the Offices and Agencies of Issue of the several Circles of Government Paper Currency in British India, in exchange for sovereigns and half-sovereigns, coined at any authorised Royal Mint in England or Australia, and of current weight, calculated at the rate of ten and five rupees respectively, to an extent not exceeding one-fourth of the total amount of issues represented by coin, or by coin and bullion in each circle

^{*} The standard weight of the sovereign is grains 23 274, and it ceases to be current when, from wearage or other causes, it falls in weight below grains 122 5

Minute by the Hon'ble Sir C B Thevelian, K. c B., -dated 23rd

In submitting drafts of Notifications to give effect to the Secretary of State's decision on the question of a gold currency for India, I think it right to make the following remarks —

The Secretary of State's decision is based upon the following positions laid down in the 12th, 20th and 23rd paragraphs of his despatch dated the 20th September last, No 224 that whether the soveragn, rated at ten rupees can circulate to any extent in India depends upon the question whether it will be cheaper to meet an obligation of the amount of ten rupees by a gold soveragn or by ten silver rupees that at the present prices of gold the value of the soveragn must be so much above that of ten silver rupees that, for the purpose of making any payment, the latter coins must necessarily be preferred to the soveragn, therefore, to enact that a soveragn should be legal tender at ten rupees, with the view of introducing it largely into the currency of India, would be totally into practical effect, and which it might be necessary to alter m a very short time.

If the present prices of gold are calculated for this purpose upon those prevailing in London, the correctness of this view must be at once

The value of the sovereign is about Rs 10-8 at the present price of silver in London. If, therefore the currency of the sovereign in India depended upon its value in London, to enact that the sovereign should be legal tender at ten rupees, would be entirely inoperative

But the sovereign must be rated for circulation in India, not with reference to its English, but to its Indian price estimated in silver

This may be at once established by the fact that, if the coverage were made legal tender in India at the English price of Rs. 10-8 the existing Indian currency would be rapidly revolutionised, and creditors would receive much less than their due.

The value of the precious metals is determined by the same principles as that of other commodities. Gold and silver are changes at the place of production, and their price augments in proportion to the charges which have to be incurred in order to lay them down at any given place Gold reaches India from Sydney and Melbourne by a short and direct route of little more than a month, being transhipped from one line of the Peninsular and Oriental Steamers to another at Galle. Silver is brought from South America by the round-about way of England, charged with the additional freight and interest consequent upon the increased length of the voyage.

Silver is also so much more bulky than gold, that it becomes dearer, by comparison, in proportion as the two metals are removed from their sources of production. Thus, although both the precious metals are more valuable with reference to other commodities in the interior of India than they are at the ports, gold is, on account of its superior portability, sent in great quantities to the distant parts of the interior, in preference to silver, to adjust the exchanges, and it is always somewhat cheaper there, estimated in silver, than it is at Calcutta and Bombay

Since the beginning of December last, the average price of the sovereign at Calcutta has been Rs 10-1-3, while, during the same period at Bombay, it has been 10-2-8 * The price of the sovereign had been occasionally lower than this, but it will be seen from the quotations in the Appendix, which have been kindly furnished to me by Mr Dunlop in continuation of those annexed to my previous Minute, that, during nearly a year, these low rates have constantly prevailed, and that the latest tendency is to a further reduction. The large quantity of gold imported during the same period precludes the idea of the quotations referring to isolated or accidental transactions, the importations at Calcutta from the 1st December 1863 to the 31st October 1864 having amounted to £2,383,435, and at Bombay to £4,919,733

The state of the Indian produce markets equally affects both the precious metals. Owing to the fall in the price of cotton and other causes, they are likely to be in less demand than they have been, but this will not disturb the local relative value of gold and silver

No reasonable doubt can, I think, be entertained that the sovereign would, under these circumstances, pass current at ten rupees, if it were made a legal tender at that rate. The superior convenience of a gold currency is worth, on an average of all sorts of transactions, at least two per cent, whereas, taking the sovereign at ten rupees, gold would

^{*} This difference of price is attributable to the greater abundance of silver at Bombay and to the circumstance of there being less direct trade between Australia and Bombay than between Australia and Calcutta

be rated only I per cent. below its current market value in reference to silver at Calcutta, and 13 per cent. at Bombay For every practical purpose, the case has occurred which was contemplated in the following passage of Sir Charles Wood's despatch, dated the 2nd May 1861—
'I am not insensible to the possible advantage which might arise from the introduction of the sovereign as the current coin of India (as it is I believe, in Coylon), but at the present relative intrinsic value of gold and silver, no combination of Indian coins can express the value of the sovereign If by any change in the relative value of the two metals, a sovereign and ten rupees were to become of equal intrinsic value the sovereign might readily be introduced, and become the standard coin of Indian."

This great public question could hardly be in a better position for satisfactory solution. If the sovereign had been worth rather less than ten rupees, it could not have been made a legal tender at that rate be cause every creditor would have been defrauded to the extent of the difference but being worth more and yet only as much more as would be compensated by the superior advantages of a gold currency, the measure may be safely adopted. The object is not to make a revolution and breach of faith by a sudden flood of gold, but to provide for the future as the first Napoleon did half a cantury before the discovery of the Californian gold fields.

Although a angle metal must in every country be ultimately adopted as the standard it may be for the public advantage to pass through a period of double standard in order to change the bans of the currency from silver to gold, provided the new gold currency be properly rated with reference to silver. This has taken place of late years without in convenience and with much general benefit in our West India Colonies the United States, and France and I submit that the altered circum stances of India call for the adoption of a similar arrangement.

The Secretary of State has determined to maintain the practice of issuing notes against bullion at Calcutta, Madras and Bombay, and has now further directed that notes shall be issued against sovereigns with out declaring that coin legal tender

The principle of a note currency is that it is the representative of the current legal coin and that not being issuable except in exchange for coin, the mixed currency of notes and coin varies in quantity exactly as if it were wholly composed of coin. It is true that the Bank of England issues notes upon bullion, but this is a remnant of the original mercantile basis of the English paper currency, and it is attended with this practical convenience, that bullion is used at home as a sort of international currency in adjusting the foreign exchanges. In India bullion is imported solely in order to its being converted into coin in the shortest possible time, and the proper place for it is therefore the Mint, and not the Currency Department.

This part of the subject is clearly and correctly explained in the Secretary of State's despatch of the 2nd of May 1861 -"The position of the Government or Currency Commissioners is totally different from that of a great banking establishment like the Bank of England It is no part of the functions of the Government Currency Establishment to hold bullion for the convenience of the merchant ever extent this may be necessary or useful in India, it should be done by the Banks of that country It is a part of the banking or trading business of the community The bullion or coin held in the Department of Issue must be held entirely for its own purposes, and be of such a description as to ensure those purposes being answered Now the demand of coin for notes, which is to be anticipated and feared in India is an internal demand, which might occur if distrust of the notes were entertained To meet such a demand, the current coin of the country is the only certain resource. If gold were held in the Currency Department, it still must be optional with the person presenting notes to receive it. The only certain security for the convertibility of the note at the office of the issuer is payment in that coin which is legal tender throughout the country"

One main object of a paper currency is to economise the stock of specie, and to restore to reproductive purposes all that is not required to support the paper circulation. The Government notes in circulation are now upwards of seven millions sterling. The investments in Government Securities amount to little more than three millions. The difference between these two sums, or more than four millions sterling, is retained in coin and bullion. But, so steady has been the growth of the paper circulation, and so fully has it stood the test of commercial crisis, that much less than four millions sterling would suffice to meet every probable demand if the remainder consisted solely of "that coin which is legal tender throughout the country"

The note circulation of Calcutta and Bombay alone is £6,260,000. The reserves in coin and bullion amount to £3,570,000. But, in order

to assist in meeting the sudden and indefinite demands upon the cash balances arising from the practice which has been recently adopted of cashing Mint certificates at right, authority has been given for exchanging bullion deposited in the Mint for coin deposited in the Currency Department, to any extent, provided the coin in the latter is not reduced below £800,000 at each place. The actual reserve of coin in the Currency Departments at Calcutta and Bombay is therefore less than the total amount of the deposits of coin and bullion by nearly two millions sterling, the greater part of which might safely be invested in Government securities, and be thereby restored to reproductive purposes in the hinds of individuals, if Mint certificates were again made payable after the bullion has been coined, and the deposits in the Currency Department were confined to the current legal coin.

The Scoretary of State proposes that bullon should still be received both at the Mint and in the Currency Department, but that "provision should be made by law if necessary, to enable the Government to in terpose such interval between the presentation of the bullion and the delivery of the notes as may in the existing circumstances and state of the Mint render it perfectly safe from any demand for coin which it might not have in its power to meet.

If the holders of bullion are to want until it is coined before they receive its value in coin or in notes which represent coin they may with greater advantage want at the Mint, whose business it is to convert bullion into coin, than at the Currency Department, whose business it is to exchange notes for coin.

On the other hand if the holders are to have their bullion disconnted eather at the Mint or the Currency Department before it is coined this can only be done by keeping balances greatly in excess of what is required for the public service. No system of finance could without serious loss and danger, stand such a hability as that of having to pay, on demand the value of all the bullion landed on the shores of India What would be thought if it were proposed that the Chancellor of the Exchequer should discount, out of his cash balance at the Bank the whole of the bullion which reaches England?

If these premises are correct it would follow-

let -That the Assay Departments at the three Indian Mints should be made as efficient as possible so that there may be no unnecessary

delay in delivering Mint certificates, which are negotiable securities, to the holders of bullion.

2nd—That Mint certificates should be payable, as formerly, at twenty days' sight, and

31d.—That Government Currency Notes should be issued in the Calcutta, Madias, and Bombay Cheles, as they are in the circles which have been recently established in the interior, only in exchange for comwhich is legal tender.

APPENDIX

Calcutta Quotations for Australian Gold

	92 CARAT BAR.	24 CABAT BAR.	į.		
	Per Tolsh Per Ounce.	Per Tolsh. Per Ounce	Soverengus.		
8th December 1863	14 7 0 88 8 0	15 19 0 43 0 0	10 1 6		
22nd n	14 6 1 38 5 63	1. 11 0 41 13 4	10 1 0		
8th January 1864	14 9 1 37 10 101	15 7 0 41 2 8	10 1 0		
22nd 11	14 7 0 38 8 0	15 12 0 42 0 0	10 1 0		
8th February	14 10 8 39 1 94	16 0 0 49 10 8	10 1 6		
22nd ,, ,	14 12 6 89 6 8	16 2 0 43 0 0	10 1 6		
8th March "	14 11 7 39 4 25	16 1 0 49 13 4	10 1 9		
22nd n	14 11 7 89 4 91	16 1 0 43 13 4	10 1 6		
8th April "	14 19 11 39 7 93	16 2 6 43 1 4	10 1 0		
batt	14 12 11 89 7 94	16 2 6 43 1 4	10 1 3		
8th May 11 "	14 11 7 89 4 37	16 1 0 42 18 4	10 2 0		
99nd , n	14 9 9 88 15 4	15 15 0 42 8 0	10 1 8		
8th June	14 9 9 88 15 4	15 15 0 42 8 0	10 1 6		
21st "	14 7 11 38 10 54	15 18 0 49 2 8	10 2 0		
7th July	14 7 11 18 10 51	15 13 0 43 2 8	10 9 0		
22nd , **	14 7 0 88 8 0		10 1 0		
8th August "			10 1 0		
99nd , ,	24 1		10 0 0		
7th September ,			10 0 0		
21st ,,	14 0 01 01		10 1 6		
3rd October			10 2 0		
21st	Doorga Poojah Holida	3 1.	10 0 6		
3rd November ,	14 7 11 59 10 54 1	15 13 0 42 3 8 1	10 0 0		

Borthay Quotations for Australian Gold.

			22 Carat Bar.						24 CARAT BAR.								
		1	Per	T'ol	dr.	Per	Our	100	Per	Tol	lah	Per	Ou	nce		Sovereigns	
12th December	1863		11	2	6	37	12	0	15	7	Ω	41	3	13	10	3	0
28th "	74		11	2	6	37	12	0	15	7	2	41	3	13	10	2	0
13th January	1864		14	2	6	37	12	0	15	7	2	41	3	14	10	1	0
28th ,,	"		14	7	2	38	8	5)	15	12	3	42	0	8	10	3	0
18th February	11		14	10	3	39	0	8	15	15	7	42	9	63	10	3	0
27th ,,	71	•	11	2	6	37	12	0	15	7	2	41	3	1 1	10	2	0
12th March	11	••	14	10	3	39	0	8	15	15	7	42	g	6£	10	2	0
28th "	*	**	11	12	02	S 9	5	4	16	1	6	42	14	8	10	2	6
13th April	21		14	8	1	38	10	10	15	13	3	42	3	4	10	3	0
28th ,,	"	•	14	10	3	39	0	8	15	15	7	42	9	G	10	2	3
18th May	,,,		14	13	101	39	10	22	16	3	6	43	4	0	10	2	6
23rd ,,	3.7	••	14	13	105	39	10	23	16	8	6	43	4	0	10	3	0
8th June	,,		14	13	10%	39	10	22	16	3	6	43	4	0	10	5	0
23rd ,,	31		14	10	3	39	0	8	15	15	7	42	9	G₹	10	2	9
8th July	17		14	13	10}	39	10	22	16	3	6	43	4	0	10	3	0
23rd "	59	•	14	12	03	39	5	4	16	1	6	42	14	8	10	3	0
8th August	21		14	12	01	39	5	4	16	1	6	42	14	8	10	3	0
28rd "	21		14	12	01	39	5	4	16	1	6	42	14	8	10	3	0
8th September	er "		14	13	101	39	10	$2\frac{2}{3}$	16	3	6	43	4	0	10	3	0
28th ,,	"	•	14	12	0 1	39	5	4	16	1	6	42	14	3	10	2	3
13th October	1,	•••	14	10	8	89	0	8	15	15	7	42	9	6 ₃		2	
28th "	,,	•	14	12	03	39	5	4	18	1	6	42	14	8	10	2	0
***************************************						1			<u> </u>					13			

Financial Despatch from the Govt of India, to the Right Hon ble the Secy of State for India,—No 155. dated 3rd December 1864

With reference to your despatch No 223, dated the 26th September 1864, we have the honor to forward copies of two Notifications which we have issued, with a view to give effect to your decision that sovereigns and half-sovereigns according to the British and Australian standard may be received at an exchange of 10 rupess and 5 rupees respectively, in payment of Government demands. We also forward a copy of a Minute by the Hon'ble Sir Charles Trevelyan, containing his remarks on the despatch under acknowledgment.

From Geo Diorson, Feq., Secy and Treasurer, Bank of Bengal to Secy to Govt of India, Kal Dept.,—No 1042, dated 17th March 1865

By desire of the Directors, I have the honor to send you herewith copy of a Statement which I laid before the Board on the 16th instant, relative to the practical working of Government Notifications No 8517, and No 8518 of 28rd November last, anthorizing the recept of sovereigns and half-sovereigns at the Government Treasuries, and the Offices and five rupeus respectively. In view of the continued influx of sovereigns, and the probability in that event, of the surpuls supply being sent to the Mint, the Directors instruct me to submit that the present is a more favorable opportunity for considering what further action may be advisable, than delaying to do so until the extreme limit of gold deposits which can be held against users shall have been reached, and the necessity of putting an abrupt termination to existing arrangements by the withdrawal of the privileges allowed by the existing Notifications, be imposed on Government.

- 2 Under present circumstances and although the demand for sovereigns is gradually increasing, it is clear that they will not be held in large quantities, either by European or Native Merchants nor enter into general circulation, so long as an uncertain value attaches to them.
- 8 With the experience of the past three months before them, the Directors instruct me to state that, in their opinion, the time has come

when sovereigns and half-sovereigns of full weight may, with safety and advantage, be declared legal tender at the respective rates of ten and five rupees

- 4 The Directors have arrived at this conclusion the more readily because they are of opinion that the timely adoption of such a step will prevent inconvenience to the public and embarrassment to the Government hereafter.
- 5 Although, doubtless, there are some difficulties to be overcome, the Directors viewing the measure as one for which—after the elaborate discussions that have taken place on the subject—the public are fully prepared, are of opinion that the introduction of the sovereign into the Currency of India will be generally welcomed as a great public boon
- 6. The Directors are not apprehensive that any derangement of the money market must necessarily follow. The measure will be gradual in its operation, and insensibly adapt itself to the expanding requirements of a largely increasing commerce, without detriment to the public creditor or inconvenience to Government.

Note by Geo Dickson, Esq., Secy and Treasurer, Bank of Bengal, on the Receipt and Issue of Sovereigns and Half-Sovereigns, under the recent Orders of Government,—dated 9th March 1865

The following particulars connected with the practical working of the Government Notifications Nos 3517 and 3518 of 23rd November last, authorizing the receipt of sovereigns and half-sovereigns at the Government Treasures and the Offices of Issue of the several Circles of Government Paper Currency, at the rate of ten rupees and five rupees respectively, are submitted for the consideration of the Board of Directors

Receipts.

1st—We commenced	receiving ge	old on	1st I	Oece	mber	r in pay	\mathbf{ment}
Proportions of Receipts	of Government	nent o	dues, a	$\mathbf{n}\mathbf{d}$	also	m the	ordı-
Proportions of Receipts through the General Treasury and the Bank	nary course	of bu	sıness,	ın t	he sa	ame way	as if
and the Dank	sovereigns	were	legal	ten	der	\mathbf{Since}	that
date, the total receipts have	been				£	370,986	
of which we took in the Tr	easury				£	1,612	
Over the Bank Counter.		•••		•	"	369,374	
					£	370,986	

2nd —Of the above amount about iths are Australian sovereigns, Proportions in British and and ith English sovereigns and half sov

3rd — The chief lodgments are by the local Branch Banks of Ex Principal lodgments, change, who have tendered £309,722 of the whole amount.

Next in amount are the depoints of a very intelligent Jew Merchant, having a large Opium business and also a direct trade with Arabia and Syria via Suez, from whence he receives chiefly British sovereigns. Native Merchants also have paid in considerable sums.

Some of the English mercantile houses have made similar payments, part of the amount being gathered in their ordinary collections from the Bazar. In short, gold has been paid in by all classes, European and Native

Payments

1st—The gross amount with which we have parted since 1st December

Sent to Branches £14 500
Sent to Mint £30 000 on End February
N B.—£10 000, second remittance, sent to but wholly over the Bank not yet credited to Bink.

sent to our Up-country Branches, and £50,000 to the Mint in exchange for rupees.

2nd —Almost without exception the English sovereign is perferred Proportion of Bettiah and Australian by both Europeans and Natures, to the Australian training the English sovereigns is exhausted. Europeans returning home, for obvious reasons prefer the English sovereign, and the Natures, because it is more suited to their taste especially when melted or converted into ornaments. The difference intrinsically, if any as regards the alloy, they set hittle value on

3rd —Setting out of the calculation £20,000 paid to the Agra
Bank early in December the chief payments
have been, lst, to our Native Bankers for
transmission into the interior, and 2nd, to Europeans returning to England, or vintors to the Neilghernes, and travellers by Railway

Daily Payments	The average payments, exclusive of sur sent to Branches, but including £20,000 t						
	Agra Bar	nk, were—		£			
Throughout December				1,017 p	er diem		
Throughout January	•			1,026	,,		
Throughout February	•	•		1,482	"		

The calculation does not include the remittance made to the Mint

Transactions in Gold with Head Commissioner of Currency

Under Notification No 3518, Currency Notes may be issued in exchange for sovereigns and half-sovereigns to an extent not exceeding one-fourth of the total amount of issues represented by Coin and Bullion in each Cucle

The latest published Return of the Head Commissioner of Currency shows, that in the Calcutta Circle, the reserves of Silver Coin and Bullion stood as under, viz -

				£
Silver Com .	4 4	• •	•	1,063,177
Silver Bullion	• •	***	•	460,000
			£	1,523,177
One-fourth of which	is		. £	380,794
On the 23rd Februa	ry last, v	vhen the		
whole available st	ock of leg	al tender		
Com in the Bar	ık's vault	s fell to		
£108,000, we sen	t to the	Mint in		
sovereigns for rupe	es	. £ !	50,000	
And on 8th March	•	. ,, 18	50,000	
				200,000

£ 180,794 Leaving a maigin of only for future similar deposits, but of course if Notes and not silver were taken, the paper issues would be correspondingly increased, and a larger proportion of gold than £380,000 might consequently be held should the flow of gold coin continue steady for a few months longer, it is clear that we shall soon reach the extreme limit, so far as the proportion which can be held in this Circle is in question.

Meanwhile, for current public requirements, we retain in the Bank about £41,000.

Gold sent to Branches

The accompanying Return from Cavinpore Branch, dated 23rd ultimo, shows that on £4,006 told out to the public, £15 16 9 has been realized as exchange, the highest rate being one annu and six pie and the average rate one-half of an anna, equal to 3.4ths of a penny on each soverage, or rather more than sufficient to cover proportion of the cost of curriage and Railway fare of Officer taking up gold from Head Office

Of the remaining £9,500 distributed among the Branches at Allahabad, Benares and Mirzapore, the whole has been disposed of with the exception of £2,859, the larger proportion of which is still held at Mirzapore. The exchange realized has been under the average of Cawnpore Branch.

The Directors are aware that the object in sending sovereigns to the Branches was not so much for gain as by way of experiment, and in order to test the public requirements

Understanding that a considerable trade in bar gold might be profitably conducted at some of our Up-country Branches I recently ad dressed a Circular to the Agents on the subject, and at the same time I requested general information regarding the price and circulation of sovereigns within the sphere of the various Agencies. For the information of the Directors a copy of the replies received from our Agents at Agra and Cawapore are appended to this Note. At the former Branch it will be observed the English sovereign is decadedly preferred. As the weight of the tolah appears to vary so much I am not yet in a position to give accurate information regarding fluctuations in value of bar gold in the Up-country Barars but hope to do so soon.

From a carefully prepared Return in my possession for year ending 31st December 1864, I find that the total imports of gold com and bullion into Calcutta amounted to £ 2,068,589

Of which we received in Australian gold ,, 2,140,000

Leaving £ 528,580

as the value imported from England, Egypt, and elsewhere.

The subjoined Tabular Statement of the imports and exports of gold to and from the three Prendencies since 1856, when the transactions in that metal first began to bulk largely, may prove interesting

coving the Imports and Exports of Gold into and from India, for the years 1856 to 1963.

From April to April

्राधि प्रक	State of the state of the second seco		Per Ruper	<i>p</i> *	~				1 ~7		-}	16 845	2 145	
	,	Total		اب	=======================================	ゲメニュ	= 1	:55.51 :55.51 :55.51	1. S. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2.	700,0	.73.110	197,555	21,736	
	,	Bombu		c)	2.010.5	17,523			27.72	? E. **	10,925	15,213	6,902	
Exposes	The second secon	M ndrag		<u>د</u>	,~	=	(1)	5,1,5	2 2 2 2	3.5	125	11,935	1,192	
		Calcutta.		ಲ	188	66,959	10,726	37.	133	1.505	13,360	130,734	16,312	
		Year			1856	1827	1858	000	(19 <u>2</u>	797	- Sec.			
		Total		చ	2,508,353	2,176,002	2,830,084	1,137,339	75.77.	5,190,132	DL.1'5/5'1	11, 1500 14 14	1 (14 % 42) E	
			Bombay		දා	1.2 49,561	1,021,650	1,515,376	2000, C.D.C.	917'hat's			27.270.21	***************************************
,	LYPORTS.	Madras		చ	1,17,7464	1901 F 190			111111111111111111111111111111111111111	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	-	1:11 1:11	121.151	

Making allowance for the amounts re-transmitted from one Presidency City to another as well as from Ceylon I think it must be apparent that the value of our gold imports in Lenf, Bullion, and Com is vory much larger than is generally supposed.

If, then, we make allowance for the progressive increase at Bombay for 1863-64 a year of unusual commercial activity and prosperity. I do not think I over-estimate the gold imports into India for year ending S1st December 1864 in taking them at from eight to ten millions sterling. This calculation is indeed greatly strengthened by the valuable information contained in the Report of Major Ward, of the Royal Mint, Sydney, bearing date 21st December 1sst.

As these questions have an important bearing on the Government paper currency, as well as on the Indian standard of value, it is proposed from time to time to keep the Government advised of any facts connected with them which may come to my knowledge.

Meanwhile if the experience of the last three months can be necepted as a guide for the future it appears sufficiently clear that soveragins can be supplied at ten rupees, and that if made legal tender, that they will be readily accepted by both Europeans and Natives as a substitute for silver. At the same time it is equally clear that the use of the soveragin will not promote the extension of the ten rupee Currency Note, confined as it now is within so many Circles of Liene

One other important fact I may notice, that during the past fort night, we received in sovereigns upwards of \$150,000 which under the Notification, tended to give ease to a stringent money market.

Detailed Statement of Sovereigns sold by Cawnpore Branch

Date	Number of Sov- ereigns sold	To whom sold	Rate	Amount of Exchange received	Amount of Sovereigns sold
1864					
December 17	100	Rutton Dallal	• ••••		1,000 0 0
31 33	100	Jumna Dallal	*****	•••	1,000 0 0
,, 19	50	Shewpershad Khuzan- chee	*** *	•••	500 0 0
23 22	250	Jowahir .	4	•	2,500 0 0
,, 22	36	Thomas Newton, Esq	6 pie each	1 2 0	360 O O
,, 23	81	Rutton Dallal .	3 pie each	1 4 3	810 0 0
37 33	15	Thomas Newton, Esq	6 pie each	0 7 6	150 0 0
ı , 11	2	Purus Ram			20 0 0
,, 24	71	Doorjun Bueparee .	6 pie each	2 3 6	710 0 0
39 29	100	Punna Lall Nanık Chund	Ditto	3 2 0	1,000 0 0
" 27	52	Gunashee Bueparce	Ditto	1 10 0	520 0 0
" 30 1865	81	Seetul ditto	Ditto	2 8 6	810 0 0
January 2	85	Doorgapersaud ditto	1 anna each	5 5 0	850 0 0
31 21	60	Doorjun ditto	Ditto	3 12 0	600 0 0
? ; ;	48	Seetul ditto	Ditto	3 0 0	480 0 0
,, 2	19	Thomas Newton, Esq	Ditto	1 3 0	190 0 0
)1 1	65	Doorjun Bueparee .	la 3 p each	5 1 3	650 0 0
	£ 50	Ditto .	la 6 p each	4 11 0	500 0 0
)	, 50	Goojur Suroff	Ditto	4 11 0	500 0 0
23	6 25	Sohun Lall	Ditto	2 5 6	250 0 0
,,	9 19	Jumna Dallal	la 3 p each	1 7 9	190 0 0
,, 1	0 10	S Thornton, Esq .	la 6 p each	0 15 0	100 0 0
,, 1	2 300	Naraen Suroff .	1 anna each	18 12 0	3,000 0 0
"	., 25	Ram Churn ditto	Ditto	1 9 0	250 0 0

Detailed Statement of Sovereigns, -continued.

Date.	Number of Soveregns sold	To whom sold.	Rate.	Amount of Exchange received.	Amount of Sovereigns sold,
1865	_				
January I	2 250	Juggunpermud	1 same each	23 7 0	a,500 0 0
	180	ditto	Ditto	14 1 0	1,500 0 0
, 1	60	Dwarka Dallal	Ditto	4 11 0	500 0 0
, 1	60 8	Brijiali Buepares	Ditto	4 11 0	500 0 0
n I	7 100	Bhujun Iali Suroff	1 anna each	6 4 0	1 000 0 0
1:	9 18	Munnee Dallal	1‡ anna each	166	180 0 0
	25	Muthoora Suroll	14 anna each	3 5 6	250 0 0
	26	Munnee Dallal	1‡ anna each	206	260 0 0
31	60	Cleadee Lall	Ditto	4 11 0	600 0 0
	, 50	Goojur Buroff	1 anna each	3 9 0	500 0 0
,, 2	1	Hurbhujun Buspares	6 pie each	1 9 0	500 0 0
	, 100	Gunashee Bueparee	Ditto	3 2 0	1 000 0 0
н	43	Jumne Dallal	Ditto	1 5 6	430 0 0
. 2	4 10	Munnee Dallal	Ditto	0 6 0	0 0 001
	164	Buddree Suroff	3 ple each	2 9 0	1,840 0 0
н	63	Ditto	1 suna each	4 5 0	690 0 0
	200	Mesers. Begg Maxwell and Co.			2000 0 0
2	5 88	Buttton Dallal	S pie esch	1 63	850 0 0
9	7 20	Munnee Dallal	Ditto	0 6 0	200 0 0
,, 3	0 25	Ditto	Ditto	0 6 8	250 0 0
,	200	Mesers. Begg Maxwell and Co			2 000 0 0
February	2 400	Mudaree Lall Busperee		1	4 000 0 0
100.003	, 800	Nursen Suroff		1	3 000 0 O
	,, 50	1		-	\$00 o o
,,	,, 6	Munnee Dallal			50 0 0

Detailed Statement of Sovereigns, -continued

Date		Number of Sovereigns sold blos mount of the sold of th		Rate.	Amount of Exchange received		Amount of Sovereigns sold				
1865											
February	4	35	Munnee Dallal .		3 pie cach	0	7	9	350	0	0
,,	6	40	Gunnessee Beuparee		6 pie each	1	4	0	400	0	0
71	7	99	Nuraen Suroff		3 pie ench	1	8	9	990	0	0
,,	,,	100	Kamtapershaud		Ditto	1	9	0	1,000	0	0
11	8	66	Munnee Lall		Ditto	1	o [']	6	660	0	0
,,	9	100	Rutton Dallal		Ditto	1	9	0	1,000	0	0
31	"	50	Jumna ditto .		Ditto	0	12	6	500	0	0
,,	11	198	Nuraen Suroff		Ditto	3	1	6	1,980	0	0
"	,,	1	Purmashuree .		••				10	0	0
1)	13	50	Shewram Bueparee .						500	0	0
23	,,	20	Buddree Doss .	1	•••••	-	•		200	0	0
"	**	43	Ram Churn Dallal		•••				430	0	0
Total So eigns	ver-	4,996	Total Rs				6	9	49,960	0	- о

Equal to 5 annas per cent or an average premium of $\frac{1}{2}$ anna for each sovereign

BANK OF BENGAL,
CAWNPORE,
The 23rd February 1865

D KENNEDY,

Agent

Extract of a letter from the Cawapore Agent of the Bank of Bengal, to the Secretary and Treasurer, Bank of Bengal Calcutta,—No 2-4, dated 0th February 1865

With reference to your Circular No 4 of 4th instant I beg to state that I believe I could dispose of it least £2 000 worth of gold every month, the practice in the bazar is to pay cash on delivery

The price of gold in the bazar here at present is-

for 22 carats fine, Rupees 17 per tolah or Rupees 15-5 per Bhurree

28 do , 174 do or , 159 do

24 do , 18 do or , 16-4 do and

of the latter there is none for sale in our barar at present. I am told the range in prices is seldom or never more than four annay per tolah,

Some of the shroffs tell me that rupees 20 000 worth of gold could be sold in the bazar here to-day for each at the above prices.

From Thomas Dison, Esq. Agent, Bank of Bengal Agra to Sery and Treasurer, Bank of Bengal Calcutta,—No. 3 12 dated 20th February 1805

In answer to the enquiries made in Circular No 4 I beg to submit the following information on the questions ruised.

The demand for gold for local use is very slight so much so that the Branch Khazanchee estimates the aggregate monthly sales at 200 tolahs, but this is mere conjecture

The descriptions most readily saleable are China leaf gold (so it is described to me) branded 100 and English sovereigns, the prices at date being, respectively, rupees 16-12-0 the Agra tolah and rupees 10 1 6 the sovereign.

The Agra tolah weights 24 ruttees more than the Company's tolah of one rupee weight, and this gives a rate for the latter of Rs 16 15 0

The price of sovereigns appears never to fall below Rs. 10 simply that they remain intact as sovereigns in the hands of the shroffs and this class will not part with them for less on leaving the shroffs hands, the sovereigns are melted down

The price of gold per tolah fluctuates greatly; thus, during the famine in these Provinces, it fell to Rs. 14, the ryots disposing of their ornaments to buy food, while during the height of the cotton mania, it rose to Rs 18, the ryots being in a position to purchase largely, gold in their estimation being the most eligible form of investment.

Apart from local requirements, I could possibly dispose of 1½ to 2 lakhs a month just at present, for Delhi and other Up-country entres.

Our rate is now Rs 10-1-6, and if sovereigns can be procured in Calcutta on the same terms, a remittance would pay the Bank, as taking the cost of a silver remittance at eight annas per cent, there would be at least a profit of seven annas, as the outside cost of a gold remittance would not exceed one anna

I think this Branch should be placed in funds by a remittance of English sovereigns, whenever procurable in Calcutta at par.

The Australian sovereigns do not find favor with jewellers and goldsmiths here

The tolahs of Muzapore, Benares, Delhi, &e, are all different, and this renders the gold quotations somewhat puzzling

I do not consider any advantage would be gained by disposing of sovereigns for Bills payable one month after delivery, as the Kootees whose promissory notes could be safely taken, would purchase on speculation for sale elsewhere, and being wealthy enough to pay cash, would not care to enhance the price by one month's interest, at least so the Branch Khazanchee reports—Should the Bank establish Branches at Delhi and Umritsir, a profitable business in gold could be done, the consumption for lewellery in the former city being very great, while, in the latter, gold is taken by traders from Cabool and Bokhara, and I believe Persia

From E D J Ezra, Esq, Anab Merchant, to Secy and Treasurer, Bank of Bengal, Calcutta,—dated 9th March 1865

The sovereigns paid by us to the Bank of Bengal are received from our constituents at Egypt, Damascus, Beyroot, Alleppo, &c They are sent for the purchase of indigo and Dacca piece goods. The sovereigns received by us are mostly English. Some of them are insured, and some are not

From E H LUSHINGTON, Esq., Seep to Govt of India, Finl Dept., to Seep and Treasurer, Bank of Bengal,—No 1662, dated 23rd March 1865.

I am directed to acknowledge the receipt of your letter No 1042, dated 17th instant, with your accompanying Memorandum, reporting by desire of the Directors, the result of the transactions at the Bank of Bengal under the Government Notifications of November last, authorising the receipt of sovereigns and half sovereigns in the Treasures and Currency Offices at the respective rates of ten and five rupees, and I am instructed by the Governor General in Council to request that you will convey to the Directors his thanks for this interesting and important

Financial Despatch from the Govt of India to the Right Hon'ble the Secy of State for India,—No 66, dated 21st March 1865

We have the honor to transmit a copy of a communication which we have received from the Directors of the Bank of Bengal.

- 2. The Government Notification of the 23rd of November last, anthorizing the receipt of sovereigns and half-sovereigns at the Treasuries at the respective rates of ten and five rupees, was adopted by the Bank as the rule for the whole of their transactions and this letter reports the result up to a recent date and expresses the opinion of the Directors that the time has arrived when the sovereign and half-sovereign quitt to be declared legal tender at the above-mentioned rates
- 3 It will be seen that up to the 9th instant the total receipts at the Bank in these coins amounted to £370,000 and that although pay ments had likewise been made to a considerable amount sovereigns accumulated to an inconvenient extent in the hands of the Bank and 200,000 were therefore transferred to the Calcutta Currency Office in exchange for rupees.
- 4 Owing to further expected arrivals of sovereigns from Austmlia, the proportion of one-fourth of the total amount of issues represented by coin and bullion, which can by low be received in gold coin in the Currency Department, is likely soon to be completed and, in order that the balances of the Bank and of the Government may not be composed of a coin winch cannot be relied upon as a circulating medium owing to its not being a legal tender it will then become necessary either to go forward to convert the experimental measure of making the sovereign

receivable in the Treasuries and Currency Offices at ten rupees into the substantive one of making it a legal tender at that rate, or to take the retrograde step of withdrawing the Notification authorizing the sovereign being received at ten rupees, or modifying it by making the sovereign receivable at a lower rate

5. Although the sovereign still commands, under certain eigennestances, a small premium over ten rupees in the interior of the Bengal Presidency, it has been paid at the last-mentioned rate into the Allahabad, Lahore, and Nagpore Currency Offices, as well as into many of the Treasures The sums held in sovereigns at the above-mentioned Currency Offices on the 15th instant, the date of the Return last received, were—

Lahore	•••		1 • •	,	13,350
Allahabad		•			690
Nagpore		•			80

6 As it has now been proved that to declare the sovereign a legal tender at ten rupees would not be inoperative in a great part of India, as the local relative value of the gold and silver come ould hardly be more favourable for the safety and gradual progress of the change, and as the measure has been shown to be urgently required to prevent great practical inconvenience, we are of opinion that sovereigns and half-sovereigns according to the British and Australian standard, coined at any properly authorized Royal Mint in England, Australia, or India, should be made legal tender throughout the British dominions in India, at the rate of one sovereign for ten rupees, as recommended in our letter dated the 14th of July 1864, No 89, and we request the sanction of Her Majesty's Government for giving legislative effect to this arrangement.

Financial Despatch from the Right Honble Sir Charles Wood, Bart, G. C. B., Seey of State for India, to His Excellency the Right Hon'ble the Governor General of India in Conneil,—No. 124, dated 17th May 1865

I have considered in Council your Financial letter dated the 21st March 1805, No 50, forwarding copy of a letter from the Secretary of the Bank of Bengal with enclosures relative to the effect of the Government Notification of the 23rd November last, authorizing the receipt of sovereigns and half sovereigns at the rites of Rs 10 and Rs 5 respectively, and expressing your opinion that the time has arrived when sovereigns and half-sovereigns coined at any properly authorized Royal Mint in England, Australis, or India, should be made legal tender throughout British India at the rates above specified

- 2 It appears from the papers forwarded by you that from the 1st December 1864 to the 9th March 1865, the Bank of Bengal had received sovereigns and half-sovereigns to the amount of £370 986 and had parted with £129 935 almost wholly over the Bank counter except £14 500 sent to the Bank's Up-country Branches The Bank had also sent £300,000 to the Mint, in exchange for rupees retaining about £41 500 for current requirements.
- at the Bank at premiums varying from 3 pies to 11 anna on each sover eign, and that sales had been made at the Bank's Branches at Allahabad, Benares and Mirzapore, at an exchange somewhat below the average of the Cawinpore Branch. Sovereigns had, how ever been paid to a small amount at the rate Naspore So Rs. 10 into the Lahore, Allahabad, and

Nagpore Branches.

It also appears that at Campore 4 996 sovereigns were sold

4 You consider that these facts prove that "to declare the sover eign a legal tender at ten rupees would not be inoperative in a great part of India, as the local relative value of the gold and silver coin could hardly be more favourable for the safety and gradual progress of the change, and as the measure has been shown to be urgently required to prevent great practical inconvenionce,' you 'are of opinion that sovereigns and half-sovereigns, according to the British and Australian standard coined at any properly authorized Royal Mint in England Australia or India, should be made legal tender throughout the British Dominions in India at the rate of one sovereign for ten rupees, as

"recommended in" your "letter dated the 14th July 1864, No 89, and" you "request the sanction of Her Majesty's Government for giving legislative effect to this arrangement."

- 5 In my Financial Despatch dated the 26th September 1864, No 224, which authorized the accept of the sovereign in the Government Treasures in India as the equivalent of ten rupees, I pointed out the grounds on which I considered that it would be inexpedient, at any rate for the present, to make that coin a legal tender. Its receipt was consequently sanctioned only as an experiment, and the time that has yet elapsed is not sufficient to ascertain how far it would criculate at the rate of ten rupees.
- 6. The papers which you have now forwarded do not appear to me to shew that the time has arrived for taking any further step, or that the measure which you propose would be attended with any advantage. The fact that without being legal tender at any fixed rate, sovereigns have been sold at Branches of the Bank of Bengal at a premium, does not appear to me to support your proposition.
- 7. The sovereign is at present intrinsically worth more than ten rupees, and although encumstances may render it occasionally convenient to individuals to pay it at that rate into the Government Treasuries, the purchase of the coin at a premium by the public at certain Branch Banks, is sufficient proof that its real value is well understood

Your apprehension that inconvenience may result from the accumulation of sovereigns in the Calcutta Currency Office, appears not to be well founded. In the present state of the exchanges, the sovereign will give a more favorable remittance to this country than can be obtained here by our drawing bills on your Government, and I therefore request that you will transmit overland whatever amount of sovereigns there may be inconveniently accumulated in your Departments. To whatever extent you may remit sovereigns, you will be relieved from the necessity of paying our Bills in silver.

From R P Harrison, Esq., Acett Gent to the Govt of India, to Secry to Govt of India, Fint Dept,—No 623, dated 7th September 1805

With reference to your Telegram of the 1st instant, and to my reply of the 5th idem, I have the honor to submit copy of a letter of this date from the Secretary and Treasurer of the Bank of Bengul, reporting the arrangements which he has made for sending 16 lakks of sovereigns to England by the Steamer Moolies

I have approved of these arrangements, which have been made after personal communication with Mr Dickson.

From Geo Dickson Rsq. Secy and Treasurer, Bank of Bengal, to Acett Gent to the Goot of India --dated Ith September 1865

I have the bonor to inform you relative to our demi-official correspondence that subject to your approval I have made the following arrangements for sending 16 lakhs of sovereigns to the Bank of England on account of Her Majesty's Secretary of State for India per the Peninsular and Oriental Steam Navigation Company's Ship Moollar which sails to-morrow, viz —

Freight for the whole 16 lakhs dehverable at Bank of England

2 per cent

Insurance by London and Oriental Steam Transit

Insurance Company on 8 lakhs, 11 per cent.

Insurance by Messrs Jardine Skinner & Co Agents for Triton, Canton, Bombay Ocean and Alliance

Marine Insurance Offices 4 ,, 1
Insurance by Mesers Shand, Fairho & Co Agents
for Hong Kong Insurance Company 2 ,, 1

Insurance by Mesars. Mackillop, Stewart & Co,
Arents for the London Assurance Corporation 2 1

Union Insurance Society of Cunton London and
Provincial Insurance Company 2, 1

The various policies will cover risks until delivery of the coin at the Bank of England.

The remittance is contained in 10 boxes made to measurement furnished by the P and O Company

Each box contains 16 bags of £1,000 each, and is scaled with the bank's scal. The boxes are numbered respectively from No. 1 to No. 10, and bear the following address —

[B of E] Nos 1, 2, 3, 1, 5, 6, 7, 8, 9, 10.

Precautions have been taken to seeme the boxes by non-clamps and serew nails, and two seals are placed on each box.

I shall advise the Bank of England via Marseilles of the despatch of the remittance, enclose Bills of Lading and shipping documents, and also Telegraph by Indo-European Line, lest by an accident the advice by Marseilles should misearry. Every care has been taken in making up the remittance, but it would be satisfactory were you to send over some trustworthy Officer to see each bag weighed, placed in the boxes, and nailed down before they leave the Bank, meanwhile I have arranged with Captain Paterson that he will give us the use of his larger boxes for doubly securing the gold, and that one of the officers of his Company (Mr Parker) is to be in attendance to see each bag weighed and deposited in the respective box before being serewed down, and sealed and placed within the large box Delivery will be given to-morrow moining, and a guard of Sepoys will accompany the remittance to the Steamer's side A Chief Officer of the Peninsulai and Oriental will go to the Bank of England from Southampton along with the large chest in which the smaller boxes will be packed

Financial Despatch from the Govt of India, to the Right Hon'ble the Secy. of State for India,—No. 152, dated Simla, 18th September 1865.

In continuation of our Secretary's Telegram dated 7th September 1865, we have the honor to forward the papers noted in the subjoined list relative to the arrangements made by the Secretary and Treasurer of the Bank of Bengal for sending 1,60,000 sovereigns to England by the Steamer *Mooltan*, which sailed on the 8th instant

List of Papers

Copy of a letter from the Accountant General to the Government of India, No. 623, dated 7th September 1865, with its enclosure

From R P Harrison, Esq., Acctt Genl to the Govt of India, to Secy to Govt of India, Finl Dept

In continuation of my letter No 623, dated the 7th instant, I beg to forward copy of one from the Secretary and Treasurer, Bank of

From R P Harrison, Esq., Acett Gent to the Govt of India, to Secy to Govt of India, First Dept,—No 623, dated 7th September 1865

With reference to your Telegram of the 1st instant, and to my reply of the 5th idem, I have the honor to submit copy of a letter of this date from the Secretary and Treasurer of the Bank of Bengal, reporting the arrangements which he has made for sending 16 lakes of severeigns to England by the Steamer Moolies

I have approved of these arrangements, which have been made after personal communication with Mr Dickson

From Gro Diorson, Esq., Secy and Treasurer, Bank of Bengal, to Acett Genl to the Goot of India—dated 7th September 1865

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Freight for the whole 16 lakes deliverable at Bank of Rucland

2 per cent.

Insurance by London and Oriental Steam Transit

Insurance by Itolicon and Oriental Steam Trans-

8 lakha, 11 per cent

Insurance by Messrs Jardine, Skinner & Co., Agents for Triton, Canton, Bombay Ocean, and Allunce

Marine Insurance Offices 4 1
Insurance by Mesers. Shand, Fairhe & Co, Agents

Insurance by Mesers. Shand, Fairne & Co., Agents
for Hong Kong Insurance Company 2 , 1 ,
Insurance by Mesers. Mackillop Stewart & Co.,

Agents for the London Assurance Corporation 2 , 1 , Union Insurance Society of Canton, London, and

Provincial Insurance Company 2 ,, 1

The various policies will cover risks until delivery of the coin at the Bank of England.

The remittance is contained in 10 boxes made to measurement furnished by the P and O Company

Each box contains 16 bags of £1,000 each, and is sealed with the bank's seal. The boxes are numbered respectively from No. 1 to No. 10, and bear the following address —

[B of E] Nos 1, 2, 3, 4, 5, 6, 7, 8, 9, 10.

Precautions have been taken to seeme the boxes by non clamps and serew nails, and two seals are placed on each box

I shall advise the Bank of England via Maiseilles of the despatch of the remittance, enclose Bills of Lading and shipping documents, and also Telegraph by Indo-European Line, lest by an accident the advice by Marseilles should miscarry Every care has been taken in making up the remittance, but it would be satisfactory were you to send over some trustworthy Officer to see each bag weighed, placed in the boxes, and nailed down before they leave the Bank, meanwhile I have arranged with Captain Paterson that he will give us the use of his larger boxes for doubly securing the gold, and that one of the officers of his Company (M1 Parker) is to be in attendance to see each bag weighed and deposited in the respective box before being serewed down, and sealed and placed within the large box Delivery will be given to-morrow morning, and a guard of Sepoys will accompany the remittance to the Steamer's side. A Chief Officer of the Peninsular and Oriental will go to the Bank of England from Southampton along with the large ehest in which the smaller boxes will be packed.

Financial Despatch from the Govt of India, to the Right Hon'ble the Secy. of State for India,—No 152, dated Simla, 18th September 1865.

In continuation of our Secretary's Telegiam dated 7th September 1865, we have the honor to forward the papers noted in the subjoined list relative to the arrangements made by the Secretary and Treasurer of the Bank of Bengal for sending 1,60,000 sovereigns to England by the Steamer *Mooltan*, which sailed on the 8th instant

List of Papers

Copy of a letter from the Accountant General to the Government of India, No. 623, dated 7th September 1865, with its enclosure

From R P Harrison, Esq., Acctt Genl to the Govt of India, to Secy to Govt of India, Finl Dept

In continuation of my letter No 623, dated the 7th instant, I beg to forward copy of one from the Secretary and Treasurer, Bank of

Bengal, No 2083, dated 9th idem, reporting the shipment of Australian sovereigns amounting to Rs. 10,00,000, for the Right Hon'ble the Secretary of State

From Geo Diokson, Esq., Socy and Treasurer, Bank of Bongal, to Acett Genl to the Govt of India,—No 2988, dated 9th September 1866

In continuation of my letter of the 7th instant, I now beg to advise having shipped per Steamer Mooltan, which sailed this morning, the ten boxes of Australian sovereigns amounting to Rs. 16 00,000

The remittance has been put up as already described, and I have forwarded the Bill of Lading and Policies of Insurance to the Bank of England, in whose favor they have been made out.

I amnex a Last of the several policies, all of which are payable in London at the exchange of 24 1d per rupee, the difference in this respect, in case of loss, being more than sufficient to cover the freight, insurance, and other charges

I will send you hereafter a detailed Last of all charges in connection with the shipment.

MENO OF POLICIES.		R_{θ}
London and Oriental Steam Transit Insurance Company		8,00 000
Hong Kong Insurance Company		2 00 00 0
Alliance Marine Assurance Company		2 00,000
Ocean Marine Insurance Company of Bombay		50,000
Bombay Insurance Society		25 000
Canton Insurance Office		50,000
		75,000
Triton Insurance Company London and Provincial Marine Insurance Company		50,000
London and Provincial Marine Table		50 000
Union Insurance Society of Canton		1,00 000
London Assurance Corporation		1,00 000
		10.00.000
	Rs	16 00,000

Financial Despatch from the Goit, of India, to the Right Hon'ble the Secy, of State for India,—No. 156, dated Simla, 25th September 1865

In continuation of our Despatch No. 152, dated 18th September 1865, we have the honor to forward a further communication' from the Accountant General to the Government of India, regarding the shipment of Austrahan sovereigns amounting to Rs 16,00,000 for England per Steamer Moollan

Financial Despatch from the RIGHT HON'BLL SIR CHARLES WOOD, BART, G. C. B., Secy. of State for India, to His Excellency the Right Hon'ble the Governor General of India in Council,—No. 267, dated 30th November 1865.

With reference to your Financial letters dated the 18th and 25th September 1865, Nos. 152 and 156, advising the shipment of 160,000 Australian sovereigns by the Steamer Moollan and the rates of Insulance paid thereon, I have to acquaint you that the sovereigns in question were duly delivered at the Bank of England, and were disposed of at the rate of £4-17-937 per ounce, the sum realized amounting to £159,857-14-2.

[•] This is probably a clerical error for £3-17-93

From Secretary to the Bengal Chamber of Commerce, to K H LUBHING TON, Esq., Secretary to the Government of India, Financial Department,—Dated 23rd January 1866

I am directed by the Committee of the Bengal Chamber of Commerce to again bring under the consideration of the Government of India the important question of the legalisation of a gold currency for India.

- 2 This subject formed the substance of a communication which I had the honor to address to you under date the 19th February 1864 Communications on the same subject were also, about the same time forwarded to the Government of India by the Chambers of Commerce of the other Presidences and by the Bombay Association. These representations were favorably received by the Government of India, and resulted in an elaborate Minute by Sir Charles Trevelyan, recommending that, as a tentative measure, sovereigns coined in the British and Australian Minute should be declared to be legal tender throughout British India as the equivalent of ten rupoes, which recommendation was concurred in by the Government of India, and was submitted for the sanction of the Right Honorable the Secretary of Sinte
- 3 This proposal failed to meet the approval of Sir Charles Wood, who on the ground that relatively with silver the sovereign was worth more than ten rupees, and that any enactment with the view of constituting it a legal tender at that rate must consequently be inoperative, considered it inexpedient that such law should be passed. He, however, sanctioned as an experimental measure that sovereigns of current weight coined at any properly authorised Mint in England or Australia might be received into all treasures of India as the equivalent of ten rupees.
- 4. A Notification to this effect was issued by the Financial Department in November of the same year, and under its provisions consider able sums were tendered to the Currency Department in exchange for notes at the equivalent of ten rupees for each sovereign, but owing to their not being declared a legal tender, these coins did not pass into general circulation, and having ultimately accumulated to an incoave ment extent in the Currency Department, were shipped to England on account of Government
- 5 The Chamber did not heatate to attribute this failure of the attempt to establish a gold currency to the refusal of the Secretary of State to permit it to be declared a legal tender. Had the recommenda-

tions of the Government of India been sanctioned by Sir Charles Wood, the sovereign would everywhere throughout India have been freely accepted as the equivalent of ten rupees, and these coins would thus have been maintained in active circulation, which can never be the case so long as they are not declared to be legal tender, and then compulsory receipt is limited to those cases in which they are tendered in satisfaction of Government demands.

- 6. The Chamber is still of opinion that, as a preliminary and tentative measure, the legalisation of the sovereign as a tender for ten rupees is the best measure which can be adopted with the view of again introducing a gold currency into India. They by no means look upon it as a final measure, but as one which, whilst affording considerable relief to the operations of commerce, may be safely adopted without causing apprehensions of any serious disarrangement in the money markets of Europe.
- 7. The subject of a gold currency is, however, of such vast importance, considering the large amount of specie which India will inevitably absorb during the next few years, whilst prices of cotton may be expected to rule abnormally high, that I am directed respectfully to suggest that a full enquiry into the whole question should be instituted by Government, and to suggest further that such enquiry could be best conducted by a mixed commission of Government officers and members of the commercial community and others, and to pray that such commission may be appointed with instructions to take evidence where necessary, and to report fully on the subject in all its bearings.
- 8. I am directed further to suggest that if such commission is appointed they may be instructed also to report on the practicability of modifying the circle system as at present carried out, so as to secure for the Government Paper Currency a wider and more general circulation than it at present enjoys outside the presidency towns.

In reply to your Secretary's letter of 23rd January 1866, I am desired to state that the Governor General in Council concurs in thinking that the state of the currency may properly form the subject of enquiry by a commission constituted as you suggest, but that in the

From E H Lushington, Esq, Secretary to the Government of India, Financial Department, to the Chamber of Commerce, Calcutta,— No 544, dated 1st February 1866

opinion of the Government, the attention of such a commission should, without excluding from its consideration the expediency of making the sovereign or a gold coin of any other denomination a legal tender, be directed, in the first instance, to the operation of Act XIX of 1881

2 In conformity with this view, arrangements are in progress for the appointment of a commismon, and I am requested to inform you that the Governor General in Conneil will have much pleasure in appointing to the commission any two members of the mercantile commis nity whom you may nominate

From the Secretary to the Rengal Chamber of Commerce, to B II LUBHINGTON Esq , Secretary to the Government of India, Financial Department,-Dated 3rd February 1866

I have the honor to acknowledge the receipt of your letter No 541, of the 1st metant, and beg to inform you that the Committee of the Chamber of Commerce have nominated the Honorable John N Bullen President of the Chamber and the Honorable David Cowie as members of the Currency Commission which is about to be appointed by Govern ment to enquire into the state of the currency

Resolution by the Government of India, Financial Department,-No 502, dated 3rd Pebruary 1866

Read again the following correspondence regarding the working of the Paper Currency -

From the Chamber of Commerce, dated 23rd January 1866.

No. 544, dated lat Pebruary Tο Diffo.

Prom Ditto. dated fird

The Governor General in Council observes that the memorial of the Chamber of Commerce is in consonence with the views which the Government had under consideration.

The sense of the commercial community, as well as of the Govern ment of India, has been repeatedly declared in favor of a gold currency, but the Secretary of State has not as yet been satisfied that the attempt would be expedient or practicable. Instead of a gold a paper ourrency has been introduced in the expectation that it would prove a more con venient and acceptable circulating medium than either of the precious metals.

After the experience of nearly five years, it is now desirable to onguire whether this expectation has been fulfilled. The enquiry should be, in the first instance, an enquiry into the operation of the Paper Curiency Act, and not, as the Chamber of Commerce propose, an enquiry as to the expediency of introducing gold into the monetary system of India. It must be shewn that paper has not proved, and is not likely to prove, a circulating medium adequate to the wants and suitable to the habits of the country, before an endeavour is made to introduce gold in supersession of, or in addition to, paper

The Governor General in Council has accordingly determined to appoint a Commission consisting partly of official and partly of mercantile gentlemen to enquire into, take evidence, and report upon the operation of the Paper Currency Act, upon any improved arrangements, including the introduction of notes of the denomination of five rupees, by which it could be rendered more effective, and upon any extension of the monetary system which the increasing commerce and prosperity of the country may seem to require. The Commission will be constituted as follows—

President

H₁₈ Excellency General S₁₇ W. R. Mansfield, K.C.B

Members

Honorable H. S. Maine.

Honorable W Grey

Honorable J. N Bullen.

Honorable D. Cowie.

Mr E H Lushington

Mr G Dickson, Secretary, Bank of Bengal

Mr W Anderson, Manager, Oriental Bank

Mr H G Dunlop, Manager, Agna and Masterman's Bank

Secretary

M₁ D R Onslow.

Ordered that this Resolution be communicated to the President and Members of the Commission, and to the Secretary of the Commission, and be published in the Gazette of India

From D R Onslow, Esq, Secretary to the Currency Commission, to the Secretary to the Government of India, Financial Department,—No 2B, dated 4th October 1866

I have the honor to forward, for submission to His Excellency the Governor General in Council, the report of the Commission to enquire

into the operation of Act XIX of 1861, which conveys the conclusions arrived at by the Commission, after due consideration of a mass of evidence collected orally from witnesses, and by correspondence with every quarter of British India.

The report is forwarded without the large appendices containing the evidence, as a considerable time must yet clapse before the volumes can be passed through the press

Notwithstanding however, the appearance of incompleteness which a report thus forwarded presents, I am desired by His Excellency the President to say that it has appeared on the whole to be expedient to submit the report in this form without further delay with regard to the interest felt in the matters enquired into by the Commission

Report of the Commission to enquire into the operation of Act XIX of 1861

The Commission have understood that the principal object set before them, under the orders of the Government of India was to obtain information from all available sources regarding the operation of the existing currency arrangements which were established under Act XIX of 1881

- 2 A second matter was incidentally submitted to their consideration ris, what may be the advantage, as based on expediency of the introduction of the legal tender of gold into India, in addition to that of silver
- 3 Accordingly, with respect to these two points, an examination of such witnesses as were available at Calcutta in the spring of 1866 took place during that season. Series of questious were subsequently addressed to the several Governments, Administratious Commissions, and Collector ness throughout India, as also to the several Banking Corporations.
- 4 The result has been the collection of a very large mass of evidence, which is set out in full in the addenda of this report. A precise of the several sets of answers thus obtained is annexed
- 5 The chief duty of the Commission may, perhaps, therefore be held to have been performed in submitting to the Government of India the evidence thus collected
- 6 This having been done, it seems convenient to shew the general results. The questions, as above referred to, are accordingly set out with a brief epitome of the preus of the answers, it being observed that the depositions of the authorities consulted at Calcutta are corroborated in the consultance of the authorities consulted at Calcutta are corroborated in

Circular to the Officers in charge of Treasuries

Question No 1—Are Government Curiency Notes readily received and paid away by the native community at their full value in private monetary transactions?

Question No 2—If not, what is the reason for their depreciation, and what is the average rate at which they are discounted?

Question No 3 —What facilities are afforded by Officers in charge of Government Treasuries for the exchange of currency notes for silver, and silver for notes?

Question No 4—Are these facilities sufficient, if not, what means can you suggest for increasing them?

Question No 5—Do you consider the present arrangement of Circles, with a separate note to: each Circle, well calculated to promote the reception of paper curiency by the native population, and would you retain it?

Epitome of Mr Onslow's Piécis

Answer No 1—A general negative, except in Presidency Towns and centres of note circulation

Answer No 2 — Want of facilities for convertibility Distrust in the native mind Discount charged in the bazars at various rates by the Shroffs when changing the notes for coin If notes are lost or destroyed by accident, difficulty in obtaining duplicates Silver and gold are

preferred

Answer No 3—Notes generally given for cash, but the reverse does not take place, except for the convenience of travellers. At some stations, exceptionally as it were, cash is, however, given for notes. The rules issued by the Accountant General are followed. Notes received in payment of land revenue. The supply of notes too limited at some stations. It is also said that there are less facilities permitted now than was formerly the case,—Vide Kistia, Oomiawuttee, Purneah

Answer No 4—That Currency Department and Presidency Banks be authorized

to pay silver for notes

That notes of each separate Circle should be payable on demand at any Tieasury within the Circle That present iestrictions should be removed, so that notes may be issued and cashed at all British Treasnites

Some think that present facilities are sufficient. Officers should be permitted to cash notes to the extent to which their resources may permit. The establishment of offices of Sub-Issue would facilitate transactions—See Bullooah Notes should be declared legal tender in Candeish.

Restrictions with regard to notes being used for remittances should be removed

Notes of low value should be freely cashed by Treasurers A maximum of notes in store might be fixed, when notes in store reach that maximum, encashment to be refused — See Ghazeepore

Notes should be entrusted to Tehseel-

dars for sale

An universal note is advocated — See Lullutpore Would make Berar a centre of currency — See Oomrawuttee The Accountant General should cease from interferences, and allow Treasury Officers more latitude — See Purneah

Answer No 5—The unanimity and the decision of the answer in the negative to

this question is very remarkable.

Circular to the Officers in charge of Treasuries -contd.

Question A. 6. — If not, would you propose to increase the number of Circles (still retaining the plan of a separate note for each Circle) and if so to what extent? Or keeping the present number of mad. Circles, would you establish Offices of Sublame at the chief local Treasuries within each Circle where the note should be convertible on demand as at the Head Office of Issue of the Circle?

Question No 7—Or would you prefer the plan of having one universal no e for all India, to be convertible only at the Presidency Towns and at certain specified Treasuries? Or is there any other plan you would recommend?

H.B.—In cplying to these last three questions, places to stat fully the greeneds on which you give a preference to one plan at the reference to the unportant object of establishing Paper Currency in the confidence and liking of the natives.

Question No. 8.—Would you propose a note of the value of five rupees; and if so on what grounds?

Question No 9—Are you of opinion that the 5-rapes note would have a larger currency than notes of a greater value?

Question No 10—Are notes used much by the Shroffs and Native Bankers for purposes of remittance?

Question No 11—Is it the practice of the Shroffs and Native Bankers to exact discount in all cases of cashing notes?

Question Ac. 12 - Do the Shroffs and Native Binkers buy up the notes at a discount for the purpose of sending them to the head-quarters of Circles for encushment?

Question No 13.—Do the Shroffs and Native Bankers prefer the note to boon does for purpose of remittance?

Question Ao. 14.—If your silver rererror runs very low, owing to a large number of currency notes being presented for cash, what Lichtites by rul or road have you for reinforcing the reserve and to what Department or Treasury would you first apply? Epitome of Mr Onslow & Precis,-contd.

Astroy Ao 6—Some would retain Circles and establish Offices of Sub-Lause where notes could be cashed. Others think there should be one note convertible at every Treasury. Others, that notes of inferior denomination should be convertible at all Treasuries, but that notes of a high one should be only cashed in their own Circle. Others, that there should be one note for each Predictory casheds at all Treasuries within the limits of the latter. Abeliat the Circles.

Notes of every Circle should be payable on demand at the Presidency Towns and at specified Treasuries where trade exists.

- See Poonah.

Assert No 7 - Yes; convertible at Presidences and principal Trecurries. Others, in favor of universal noise convertible at all Treasuries. Others, note for each Presidency Note to be inconvertible but legal tender; the issue not occeed one year a revenue of the Empire. Great preponderance in favor of one universal note, if readily convertible

Asser No 8.—Opinions much divided on this point, though the preponderance is somewhat in favor of a 5-rapec

Asswer No 9 -Opinions evenly di

Assirer No. 10.—Yes at certain places and centres of commerce; but—No, at the great majority of stations. The practice clearly depends on the convenience or possible profits of the Native Bankers.

Asser No 11.—The answer in the affirmative is almost unanimous.

Assert No 12.—The answer is generally negative; but there are a few exceptions which are not unimportant, and perhaps have caused the alarms of the Accountant General

Auster No 13.-Answers negative with very few exceptions.

Asser No. 14.—For answers, see Proces; each station having to answer with regard to its own facilities of comnumeration with others. Circular to the Officers in charge of Treasuries—contd

Question No 15—Has your Treasury been unable to meet the public demand for Paper Currency in consequence of your indents for notes not having been complied with?

Question No 16—If so, what reasons have been assigned for the refusal to

comply with your indents?

Question No 17—What average value does 'the Government gold mohur bear in the bazars in your neighburhood?

Question No 18—What average value does the English sovereign bear in the bazars in your neighbourhood?

Question No 19—What average value does the Australian sovereign bear in the

bazars in your neighbourhood?

Question No 20—Do you think that the coins above mentioned generally bear a higher value in Mofussil bazars than in the Presidency Towns?

Question No 21 -If so, what is the

cause i

Question No 22—Are the people fond of gold for the purposes of hoarding and circulation?

Question No 23 - Would the natives

like a gold currency?

Question No 24—Are gold coins of Rs 15, 10, and 5 likely to find more favor in their eyes than notes of like value?

Question No 25—Would a gold curiency help the establishment of a Paper Currency, gold being held as a reserve by traders and others, and the notes passing from hand to hand for circulation when people become accustomed to them?

Question No 26—Would a gold curiency assist the outlying Treasuries in ensuring the convertability of the note?

Question No 27—What is the opinion of large Shroffs and Dealers on Currency? Do they prefer a Silver Currency alone, or silver and paper as it at present exists, or silver, gold, and paper?

exists, or silver, gold, and paper?

Question No 28—Does bar gold circulate in your neighbourhood, if so, how

is its purity ensured?

Question No 29—Are native gold mohurs much used by Natives as means of currency in your neighbourhood?

Question No 30—State the names of the gold mohurs?

Epitome of Mr Onslow's Piécis -contd

Answer No 15 —Answer generally negative, exceptions very rare

Answer No 16—In the very rare instances of the answers, cause referable to the Accountant General

Answer No 17—At par in many places, above par in many others, below

par in a very few

Answers Nos 18 and 19—English sovereign at par at a certain number of places, above par at very many others, below par at a very few Australian sovereign but little known, but apparently not taken with so much readiness as the English one

Answers Nos 20 and 21 - Answer ge-

nerally in the affirmative

Answer No 22—Yes, generally for the purpose of hoarding, and merchants for that of circulation or article of commerce

Answer No 23—The affirmative answer may be said to be unanimous

Answer No 24 — The affirmative answer may be said to be unanimous

Answer No 25—Opinions generally affirmative

Answer No 26 — Opinions very generally affirmative

Answer No 27 —General preference of gold, silver, and paper Almost unanimous

Answer No 28—Consult Précis Gold circulates apparently as an article of trade in a good many places, but is not treited as money under the existing laws

Answer No 29—Almost unanimous negative

Answer No 30—Refer to the Precis Although not much enculated, it is evident from the answers to this question that the practice of keeping gold as a reserve must be almost universal among all classes just raised above poverty

Circular to the Officers in charge of Epilome of Mr Onelow & Précis -concld. Treasuries. - concld

Question No 31 .- Do they pass for intringe value ?

Question No 32.-Or do they bear an artificial value according to their respective denominations, or as proceeding from certain Native States?

Answers Nos 31 and 32,-Generally for intrinsic value.

Horn.—This spitous gives the general consistence of the survers to queries addressed the other authorities t whom circulars w re sent as wall as to the Officers in charge (Treasones

7 When it is considered that the answers shown in the epitome are the condensation of the observation and opinions of authorities exercising power or discharging financial duties over every part of British India, the Commission feel justified in the inference that, in some in stances, facts have been solidly established, and that in others of important character the unanimity of opinion, as based on personal observa tion, is a matter of extraordinary penificance with respect to the wants of the country, and the manuer in which those wants may be met

8 It thus appears --

I .- That a Government Paper Currency, established under Act XIX of 1861, has been in actual existence since let of March 1862

II .- That some of the Circles have been but very recently estabhahed

III. That out of the Prendency Towns, the people have not as vet been educated to the point of using a Paper Currency.

IV -And, therefore, that its apparent failure as generally deposed to us not a sufficient reason for despairing of its gradual extension

9 The Commission have not succeeded in obtaining accurate reports regarding the amount of capital, whether in shares or deposits, now held by the several British Banking Companies which are doing business in the Presidencies and many Mofussil cities in India. The amount of such capital, however, is now very considerable and notwithstanding the misfortunes of this year, it has a stendy tendency to increase.

10 It is clear that in the great centres of commerce, whether on the senboard or in the interior the introduction of a sound and well regulated system of banking not only familiarizes the people with use of a Paper Currency, but largely promotes the distribution and ntilization of capital

11 As the community learn to appreciate the facilities afforded for conducting business by means of banking accounts instead of locking up or secreting the money which comes into thoir possession the eco nomy, both in coin and notes, becomes apparent It is believed that

usages based on acquaintance with the European system of banking have taken a considerable hold of the inhabitants of the Presidency Towns, and that these usages are gradually but slowly spreading throughout the country.

- 12. The extensive use of cheques which are adjusted in the accounts of the Banks with one another in a great city, such as Calcutta or Bombay, affords a sufficient illustration of what has been adverted to.
- 13 The foregoing consideration may perhaps further explain how it comes that, with the vast increase of trade and available capital during the last few years, the demand for Currency Notes in the Presidencies has remained in a quasi-stationary condition.
 - 14 It may certainly be said-
 - I.—That the want of facilities for the encashment of notes, whether in the Circles proper, or when the boundary of a Circle has been passed, is clearly established,
 - II —That this want is a great bar to the utility of the Cuirency Notes,
 - III.—That the want causes the notes to be depreciated at varying rates of discount;
 - IV —That this causes the notes to be practically viewed as commercial paper,
 - V.—That the inevitable result in the native mind is not merely a sense of inconvenience, but a mistrust of the notes based on an idea of substantial loss flowing from the use of them
- 15 With such facts before them, the Commission feel considerable hesitation in expressing any further opinion, the matter concerned being one to be practically dealt with by the Financial Department, whose proper function it is to judge of the feasibility of many of the proposals laid before the Commission. This remark more especially applies to dealing with the cash balances, the feeding of Treasuries, and the precautionary measures to be taken before any of the sweeping changes which seem to commend themselves to the great majority of the authorities consulted, can with safety be adopted.
- 16 It may, however, perhaps be said that, irrespectively of such sweeping changes, certain administrative improvements might take place which would have a beneficial effect. The aim of the Financial Department in the administration of the Act might be directed less to obtain profit from the Paper Currency than to devise practical measures for

- 2ndly,—That they are sought for in the Provinces for trading purposes by merchants and bankers, and as a medium of a reserve of wealth by the people at large.
- 8rdly,—That where gold is below par in price, it happens either because gold is almost priorically unknown in the districts concerned, or because the people are too poor to create a demand for it.
- 4thly,--That the demand for Gold Currency is unanimous throughout the country
- 5thly —That gold come of 15, 10, and 5 rupees respectively
 would find more favor in the eyes of the people than
 notes of like value
- 6thly That the introduction of gold would facilitate the establishment of the Currency Notes, onlying Treasuries being assisted by such a measure towards the convertibility of the notes and
- 7thly,—That the opinion is general, almost manimous, that the currency should consist of gold, silver, and paper
- 25 With such evidence of the general wish of the country before them the Commission cannot hesitate to express a hope that the Gov ernment of India will persevere in the policy which was recommended for the approval of the Secretary of State two years ago * vis, to cause a legal tender of gold to be a part of the currency arrangements of India, that which is believed to have been erroneous in the original proposal being modified, however, as hereinafter recommended.
- 26 The Commusion would draw attention to the fact that the price of the Gold Mohur or Government piece of Rs. 15, as fixed by Act XVII of 1835, is as nearly as possible the average market rate of the price of coined gold of the present day
- 27 That price, as sanctioned by law in 1835, seems to be the legitimate basis on which to found a gold legal tender coinage for India consisting of pieces of Rs. 10 and 5 respectively—the 10-rupes pieces having

Vide Financial Despatch from Government of India, to Secretary of State July 14th 1851.

the weight of 120 grains, and the 5-rupee piece 60 grains troy.—Vide Section 7, Act XVII of 1835.**

- 28. The Commission are aware that it is a favorite notion in some quarters to cause the English sovereign to be issued as the representative of Rs. 10 in a legal tender, and this view received the sanction of the Government of India in 1864 at the instance of Sii C Tievelyan.
- 29 But according to the evidence submitted generally to the Commission, the conclusion can haidly now be resisted that the tendency in India is rather to raise a gold coin above par.
- 30. If the tables of pricest be consulted for past years, the fact is clearly shown that the real part of the sovereign is somewhat above Rs 10.
- 31 If this be admitted—and the evidence is such that no doubt can be entertained with regard to the fact—the Commission may perhaps be excused for believing that the Government of India had not the advantage of exact information when it adopted the views imparted to the Secretary of State in 1864
- 32. The Commission would therefore venture to suggest that, assuming what is stated with regard to the average value of the sovereign to be correct, that it is apparent that if such a tender, viz, of an English sovereign at Rs 10, were affirmed by law, it would be to offer the sovereign for sale at a price of from 2 to 3 annas less than it can be in general bought for at the ports of importation, or at the average rates in the country at large, that is to say, that with respect to the commodity of gold, with a view to a gold currency, a departure is proposed from the principles on which the supply of a commodity to a country is invariably found to rest.

 $\frac{11}{12}$ or 165 grains of pure gold $\frac{1}{12}$ or 15 grains of alloy

Second -A 5-rupee piece equal to a third of a Gold Mohur

Third -A 10-rupee piece equal to two-thirds of a Gold Mohur

^{*} Section 7, Act XVII of 1835 —And be it enacted that the under mentioned gold coins only shall henceforth be coined at the Mints within the territories of the East India Company —

First —A Gold Mohur or 15 rapes piece of the weight of 180 grains troy, and the following standard, viz —

Fourth —A 30 rupes piece or double Gold Mohur And the three last mentioned coins shall be of the same standard with the Gold Mohur, and of proportionate weight

[†] Vide Tables attached to Sir William Mansfield's Minute of August 1864, which was received by Government of India subsequently to its despatch to the Secretary of State in support of Sir Charles Trevelyan's proposals (Pages 346 to 355 of this collection)

- 33 It is, then, clear to all men of business who look to the principles on which alone trade can be carried on, that a trade in gold, with an effectual gold currency could not exist on such terms.
- 84 Thus it would be impossible for any Mint to buy gold at a less rate than importers can afford to take. And in like manner having bought gold at given rates, the Mint—in other words the Government—could not afford to issue the new coins at a rate less than their intrinsic value in which must be included a moderate segmorage
- 85 As a matter of course the same argument applies to the purchase of sovereigns coined in the British or Australian Mints, the intrinsic value of which is more than Rs. 10, or so nearly equal to that sum as to leave no margin for fluctuation, or to pay the expense of mintage
- 36 The force of this argument is the more apparent when attention is given to the point that the public debt and all other obligations in India have been contracted in rupces
- 87 The practical inferences to be drawn from this statement of faots and reasoning become infinitely stronger, when it is recollected that the legal tender of gold will create a new large demand for the commodity; that is to say by restoring to gold a very considerable part of the functions of money of the State of which gold is now deprived
- 38 It is indeed possible that, under such arcumstances, vis of the restoration to gold of the legal function of money of the realm the price of it may eventually rise as compared with that of the present day, which received the sanction of the Act of 1935
- 39 But it is obvious that the increase of demand cannot occasion a fall in the pince of gold, until the country shall have been absolutely flooded with it, the same being accompanied by the partial exclusion of silver from the currency
- 40 But when that shall have taken place it will be for the Legisla ture of the day to step in and fix the gold coinage on a single standard hy reducing aliver to tokens for the payment of small sums, according to the example set by the United States in 1853 *
- 41 We have therefore, in the new demand for gold, another power ful reason as above displayed for shunning the attempt to give an artificial depreciation to the metal, by forcing the sovereign to run for less than it is actually worth

Vids Chapters 6 and 6 of Sir W Mansfield's Minute on the introduction of a Gold Correccy into India, dated 8th March 1864 (pages 71—143 of this collection); also his Minute of August 1864 (page 316), in answer to Sir Charles Trevelyan's Minute of June -0th 1864.

- 42 The attempt is simply to ensure the defeat of a gold currency.
- 43. The Commission would again once more glance at the practical impossibility of increasing the public debt, and the obligations of all debtors which have been contracted in the rupee.
- 44. To raise the value of the rupee, however little, by artificially depreciating its gold representative, is simply an act of injustice to all debtors, and a bonus to all creditors, whether of the State or of private parties.
- 45. As the two tenders, silver and gold, must run pari passu for some time to come, such an injustice would icctify itself by the defeat of the gold, and its ejection from the currency—the same resting on the clearest application of commercial principles as above indicated
- 46 The Commission would close their report with the remark that as the original institution of the Paper Currency in 1861 was eminently of a tentative character, extreme caution was observed with respect to the limitation of issues, the organization of circles, and the guardianship of the convertibility of the note
- 47 It is therefore unreasonable in the extreme to expect large and perfect results from what has hither to been but an experiment. Nevertheless, it is impossible not to observe that the universally unfavorable testimony is in truth founded on the expectation of a perfect and absolute success, which, with regard to the original arrangements and the nature of things and of native society in general, could not in fairness be looked for.
- 48. On the other hand, as shewn in the body of this report and the mass of evidence given in the addenda, the time had fully arrived for the review of the results of the experiment, and the application of such improvements or reforms as may be deemed expedient for the development of the Paper Currency, which, amidst the demands of advancing commerce, has come to be a necessity for the people of the country.

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(Sd) W R MANSFIELD.

H S MAINE.

W GREY

D COWIE

G ROSS

E H LUSHINGTON.

G DICKSON

W HALFORD
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SIMLA, The 4th October 1866

- 83 It is, then, clear to all men of bunness who look to the principles on which alone trade can be carried on, that a trade in gold, with an effectual gold currency could not exist on such terms.
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- 38 It is indeed possible that under such circumstances vis, of the restoration to gold of the legal function of money of the realm the price of it may eventually rise as compared with that of the present day, which received the sanction of the Act of 1885
- 30 But it is obvious that the increase of demand cannot occasion a fall in the price of gold, until the country shall have been absolutely flooded with it, the same being accompanied by the partial exclusion of silver from the currency
- 40 But when that shall have taken place it will be for the Legisla ture of the day to step in and fix the gold coinage on a single standard, by reducing silver to tokens for the payment of small sums, according to the example set by the United States in 1853 *
- 41 We have, therefore, in the new demand for gold, another power fal reason as above displayed for shunning the attempt to give an artificial depreciation to the metal, by forcing the sovereign to run for less than it is actually worth

[•] Vide Chapters 5 and 5 of Sir W Mansfield a Minute on the introduction of a Gold Corrency into India, dated 8th March 1868 (pages 71—143 of this collection); sho his Mil ute of August 1863 (page 316), in answer to Sir Charles Trevelyans Minute of June "Oth, 1863.

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- 45. As the two tenders, silver and gold, must run part passu for some time to come, such an injustice would rectify itself by the defeat of the gold, and its ejection from the currency—the same resting on the clearest application of commercial principles as above indicated
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(Sd) W R. MANSFIELD.

H S MAINE
W GREY
D COWIE
G ROSS
E H LUSHINGTON.
G DICKSON
W. HALFORD
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SIMLA, The 4th October 1866. From H E JACOMB, Req. Officiating Under Secretary to the Government of Bombay, Financial Department, to E. H. Lushington, Esq., Secretary to the Government of India, Financial Department .-No 855 dated Bombay Castle, the 26th August 1864

I am directed by the Honorable the Governor in Council to transmit * No 29 Forwarding copy of a Min to by His Excellency the Commander in-Chief on SI Charles Trevelyan a proposal to declare sovereigns and half sovereigns according to the British and Australian standard, legal tender in India at the rate of one sovereign for ten rupees (with its enclosures)

to von, for the purpose of being laid before the Gov ernment of India, the ac companying copy of a letter*

addressed to Her Majesty's Principal Secretary of State for India, under date the 23rd metent

Despatch from the Government of Bombay to the Secretary of State for India -No 29 dated Bombay Castle the 28rd August 1864

In continuation of our despatches as per margin, we have the honor to forward herewith copy of n Minute hy No. 7 dated 12th March 1864, and No. 9 dated 28th March His Excellency Lieutenant-General Sir W R 1864 Mansfield K.C.B on the proposal of Sir

Charles Trevelyan to declare sovereigns and half-sovereigns, according to the British and Australian standard, legal tender in India at the rate of one sovereign for ten rapees

2 We beg at the same time, to transmit herewith a copy of a return furnished to us by our Mint Master of the average price of English sovereigns, &c., in Bombay since 1830

Remarks by His Excellency Lientenant-General Sir William Manufield, K.C B , on Sir Changes Thevelyan's proposal to calue the sovereign at ten rupees in the Indian Currency - Vide Resolution of Govern ment of India, dated 12th July 1804

I am under great obligation to Sir Charles Trevelynn for the very kind manner in which he has been pleased to allude to my Currency Minute dated 8th March 1864

- 2 It is a matter of no ordinary satisfaction that my argument and theoretical conclusions should have been able to arrest his attention
- 3 This being so, it is with unforgued regret that I am obliged to say that I am not convinced by Sir Charles Trevelvan's reasoning of the

soundness of the measure by which he proposes to commence the conversion of the silver currency of India to a golden one.

- 4. The measure to which I allude is the legalizing of the value of the sovereign in ten supees for tender of payment, while the sovereign is really worth more than that sum.
- 5. The question of respective values of gold and silver in India, as determined by experience during the last few years of expansion of trade and increase of gold production, has the most important practical bearing. On the successful appreciation of it may be said to depend the ultimate success of the great reform, the entertainment of which has been sauctioned by the Right Honorable the Secretary of State for India, and by the Viceroy and Governor General in Council.
- * Tide Chapter XI and Appendices of Minute of March
 † Tide Appendix No 9 to
 Sir Charles Trevelyan's Minute

 1 in a large definition once before at some length on the details of this matter, and it is satisfactory to observe that the calculations and statements of value thus offered at Bombay receive support from those independently pre-
- pared at Calcutta +
- 7. Thus the Honorable Mr Claud Brown shows by a calculation of averages that the sovereign has in Calcutta of late years maintained about the same value as it has in Bombay, the cost of the sovereign being now, as he states, with regard to the gold it contains, worth Rs. 10-2-11, and with the additional one per cent. for seignorage Rs. 10-4-6, consequently, Mr. Brown observes that, under the arrangement proposed by Sir Charles Trevelyan, sovereigns would be readily and rapidly received into circulation, but the first and most essential condition is that some one must provide the sovereigns, and that his difficulty is that he does not think it can be done at the price.
- 8 It may here be said that in the piece of gold, as shewn by the sovereign, it is well to banish from our minds the distinction between Australian and British sovereigns, except such very trifling difference of value as is, I believe, supposed to exist between the two coins.
- 9. The price of gold in India, where the metal is viewed as a commodity of import, is, of course, regulated by the price it bears in the country where it is most cheaply produced, to which must be added all other charges.
- 10. The fieight and loss by interest being less on gold imported direct from Australia than if the same gold had made the circuit of the world,

it follows that gold imported by way of Europe must accommodate itself to the superior cheapness of Australian gold an other words, that the price of the latter in India rules the price of all other gold from where-seever it may come.

- 11 This is actually seen to be the case when sovereigns, whether British or Australian, are considered as a matter of commerce. The exceptional taking up of the former for the use of travellers on their road to England, has no practical effect as regards the real price of gold. On the sailing of a steamer, English bank notes are sought and paid for exceptionally on account of such personal convenience.
- 12 The price of the sovereign in Indis, as an article of commerce, having thus depended on the marketable value of gold it has been seen in the two great marks of Calcutta and Bombay that that price has on an average of years been slightly more than Rs. 10-4-0, although the sovereigns are treated in their character of gold without respect to Mint or reignorage charge
- 18 Consequently Sir Charles Trevelyan's price, to which he desires to give a legal sanction for tender of payment, is in the least, six pence less than this inverage value of the sovereign, or inbont 2½ per cent. as hitherto maintained.
- 14 The question therefore nrises to put Mr Cland Brown s doubt in another form,—who is to bear the loss of the 24 per cent.?
- 15 It will be understood that if the Mint can find the gold the people will be only too happy to exchange their rupees at a rate which will give them six pence, or four anniss, on the changing of every packet of ten rupees But is the Government prepared to lose the six pence, or in other words, the 24 per cent.?
- 16 Surely we cannot expect, except in the case of extraordinary dearth of silver, that the people will pay in gold when to do so causes them a loss of 2½ per cent. on their transactions On the contrary, they will continue to pay in silver so long as gold remains at a premium in the market, as compared with the rate fixed for the optional legal tender
- 17 Gold would then be usued at that low rate only at Government Treasures and the Government, receiving silver in payment of revenue would then be the sole loser. Government would therefore be driven to make all its payments in silver, to prefer silver as the means of redeeming the currency notes, and therefore to defeat the measures it is now bent on introducing

- 18. Another question also surges up It may be asked why is 2½ per cent to be added to the value of the national debt, as a condition of the conversion of the silver currency?
- 19. Yet if it be in the power of the Government of India to redeem part of the capital of the debt, and to discharge the interest of it in gold, according to the price sought to be legalized, and if it do so, it is clear all such payments would involve a pro tanto addition to the debt, as shewn by the artificial depreciation of the gold coins. For it is admitted by Sir Charles Trevelyan that, under any circumstances, his gold will be offered in currency at a less price than it habitually fetches in the market
- 20. But it may be further doubted whether the Mints would, on the terms of Sir Chailes Tievelyan's Minute, obtain any gold with which to carry out the conversion of the curiency, except in the remittances of gold made on account of Government. In consequence of their being worth more than the rate fixed for the optional tender by law, sovereigns imported on private account would be sold at the premium they might be able to command in the market Bar gold being sent to the Mints for coinage would be recovered by the owners in the form of sovereigns, to be sold in like manner at a premium. Sovereigns would not be exchanged for currency notes in the Issue Department
- 21 The further consequence would be, then, that the currency would become complicated instead of being relieved, as we wish it to be Although dignified as currency legal tender, if anybody chose to tender them at a loss to himself, sovereigns would practically remain an article of trade, while Government, whenever it paid gold as part of the normal currency, would be the sole loser.
- 22 The result therefore would be, that silver would remain as it now is, and importation of it for purposes of currency would be continued—one of the things we desire to prevent—while gold, in effect, would not be promoted to perform currency functions as we desire
- 23 It is stated that the Australian sovereign can be laid down at Calcutta for Rs 10-2-9. The data on which this assertion is based are not, I believe, furnished It is not shewn whether the profits of the importer are included in the figure, or if the mere cost of the gold on Australia, freight and other charges, are comprehended only.
- 24 Unless the latter is the case, it is difficult to understand how the pince of gold remains on an average at a higher rate than that at which it can be profitably imported. In short, we must take the value of gold

at what it is shewn to be by the average prices of a term of years, and not from an arbitrary assertion made at a particular juncture

- 25 I annex u valuable return of the price of sovereigns, British and Australian, during the last five years. This average price is shewn to be about Rs 10-4-0 or considerably in excess of that for which, it is alleged Australian sovereigns may be laid down ut present
- 26 Sir Charles Trevelyan, however, taking the smaller figure, vis., 10 2-9, as his basis, trusts that the Colonial Legislature of Australia may be induced to reduce the price of gold exported from Australia to India by abolishing the export duties
- 27 It may be asked if it is not too sanguine to expect such accommodation from popular and distant Governments over which we have no control? Should we ourselves be justified in legislating with a view to a contingency which must in any case be remote, and which many politicians who consider how colonial revenues are raised with regard to colonial impatience of taxation, will declare to be so unlikely as to be almost impossible?
- 28 But it is to be remarked that the new and great demand for gold, caused by the organization of an effective gold currency in India, will not improbably muse the price of gold throughout all the markets of the world, of course inclinding Australia. On the other hand, we must not forget that the yield of gold in the latter country is largely diminishing as noted by Sir Charles Trevelyna. It is not impossible that the two things taken together might neutralize the effect of abolishing the Australian export duty, if such a measure were ever to take place
- 20 Sir Charles Trevelyan is apparently of opinion that, oventually, the price of gold in India would be somewhat diminished by the regularity of trade consequent on the introduction of u gold currency
- 90 But is this likely? Has he not everlooked the effect of the new demand on the regions of supply, when gold shall be substituted in the imports to India, in the place of the many millions of silver now unnually brought to her shores from all parts of the world?
- 31 We have already seen in India how the superior convenience of gold as a vehicle of reserve value has kept up its price in India as reaken ed in silver, notwithstanding that it was shut out of the currency May we not expect a still greater result in the same direction when it is admitted?

- 32 I am evidently not singular in such views. Thus Mi Claud Biown, while he does not guarantee that gold may not ultimately be reduced in value so as to enable the sovereign to be supplied at Rs 10,—"sees no valid ground for expecting such a change, especially when due allowance is made for the effect which the adoption of gold as a circulating medium in India must have in checking any tendency that might otherwise have existed to a decline in the value of the metal"
- 33 Let us now consider the subject in another manner. Sin Charles Trevelyan, when advocating the introduction of the sovereign as an uniform standard of exchange, says that it would come into more extensive use than the Spanish dollar ever did, if fair play were given it. Yet he shows that he has misgivings that his proposed measure will retaid the conversion of the silver medium to a golden one, the real and immediate object of the proposed reform of the Indian currency
- 34. Can it be said that fair play is given to the sovereign as a current coin, when making a law that gold and silver shall be optional legal tenders we declare that the former shall be issued in a coin—the sovereign—charged at a rate which depreciates its value?
- 35. The object of the change which is now proposed is the eventual conversion, without shock or expense, of the silver currency to a golden one.
- 36. It is difficult to understand why, bearing this object in view, we should commence with a measure which, as Sir Charles Tievelyan admits, may retard its attainment. Should we not rather recognize the fact of equality of intrinsic value between the respective coins of the two metals, as the only basis of theory and practice in our progress towards the eventual position of a gold currency and a gold standard, that progress being determined only by the other fact of superior convenience of a golden medium over a silver one?
- 37. In this case we shall have simplicity an intelligible principle, and, it may be said, finality, whereas, in the other, we shall commence with a measure open to the charge of retaiding the reform we propose, which, by some critics, will be held to be synonymous with inoperativeness—in other words, failure
- 38. By taking the basis of equality as now shewn by the averages, we stop speculation with regard to artificial and local differences of value as much as we can. The relative values having been so determined by experience till the present date, will become fixed henceforth in currency at present rates. We have seen examples of a like result in the in-

stances of France and America. As in those countries, the moment will in such case at length arrive for stereotyping the rate by means of the token counces.

- 39 If, on the other hand, when we inaugurate our reform, we depart from the basis of equality in favor of silver we, in fact, delay not only the conversion of the currency as shown above but we do something more. We forego the advantage of determining the value of gold in currency by the current silver coin, for the future as well as the present.*
- 40 Without such determination of the value of gold in silver, according to reason as well as an arbitrary regulation which will be set ande by the premia of the markets the currency reform cannot become substantive and we shall land ourselves amidst the uncertainties of the double standard.
- 41 For in such case the attempt will be really made to have two measures of value in different metals whereas we know that trade and exchange will only admit of one measure. By insisting on the nicest equalization of value between silvor and gold in the issue of coins, under a joint or optional legal tender we still adhore to the old rupes measure or silver standard but we offer the golden equivalent in its place. If we willingly afford more of gold than is equal to the silver, we do the reverse, and we compel the community in every transaction, public or private to consider whether it is to be performed in silver or in gold.
- 42 It may be further observed that, by means of the nice equalization of the legal tenders in point of value, we are perfectly just to the present holders of silver and the holders of securities whether on public or private contracts. For they will be allowed at their own convenience to pay in silver or gold. This fact would prevent the depreciation of ailver from its present value with regard to gold. For if it were to fall, as suggested by Sir Charles Trevelyan below the par of present value, which, on a real present equalization, would be fixed in currency it would be quickly bought up for the discharge of debts according to the option afforded by law. Its currency value, and therefore its price in the country, would be as rapidly restored.
- 43 It would uppear, after considering all the features of the matter presented to us, that we are encumbering what would be otherwise simple

Vide Chapter 3 of Minute of Murch, more particularly the closi g pages of that Chapter (page 80 of this collection)

by the attempt to graft on it something else. Thus we desire to have a gold currency for India. The measures to effect such a change are direct and simple. But this is no longer the case if we take the opportunity to provide what is called an imperial standard of exchange for the dependencies of Great Britain, and then to fix in India a gold coin at an artificial price, that coin having been struck for a system of coinage unknown to India and her coined values.

- 44. It seems strange to try to force down a strange coin at a price which is not its true equivalent, in short, to bend certain physical facts of value in favor of a notion of decimal convenience and of relation to other portions of the Biitish Empire.
- 45. The equitable proceeding would appear to be, on the contrary, if we choose to impose on India a gold coin which is foreign to her system, that, rather than commit ourselves to an arbitrary measure, we should give the strange coin for its exact value, just as in exchanging gold for silver we should take care, as far as hes in our power, that in general the equivalent of the former is accurately afforded in substitution of the latter, in other words, that our currency transactions should exactly follow the law of barter, until the absorption or disappearance of the silver may enable us to revert to a single legal tender for large sums by the introduction of the token coinage.
- 46. With regard to all existing debts and contracts, we are unable to part with the existing silver rupee. It is to us what the franc is to the French, what the dollar is to the American
- 47 We should only think of rendering that silver inpectin its golden representative, and we should not for the present trouble ourselves with more. According to the proposal which has received the sanction of the Government of India, we do not confine ourselves to this, but, for ex parte considerations, we made the effort to confer a greater value on the rupee than it physically possesses
- 48 I cannot help thinking that a confusion has arisen, and that the advantage of clinging to the sovereign for India has been over-rated, while the difference between its value and that of ten rupees has been under-rated.
- 49 Had a sovereign been worth twelve rupees, there would have been no thought of legalizing it in a value of ten rupees. But, in truth, when the large operations of trade are involved, it makes but little difference, so far as the object we are considering is concerned, whether the difference be two rupees or two annas. In either case the difference is

sufficient to ensure an immense profit or loss to a merchant who operates with millions. This being so the market premin owing to want of original mint equalization of value, entailing the official depreciation of gold would. I believe infallibly drive gold out of the currency. I think, therefore, that if we would succeed in fairly resolving the problem we have before us, we must have a gold coinage for India herself, and let sovereigns run according to their value which may be determined by law with regard to the regular Indian gold coin

50 In short, the sovereign should be the ally to assist India in participating in the convenience of the imperial standard. But it will not be permitted to usure the rule in the realm hitherto occupied by the rupee, and to change the value of the latter

51 We can, then hardly resist the conclusion that the golden multiple of the rupes should be calculated and minted with regard to the value of the rupes only, and apart from all other considerations sovereigns being allowed to run for their relative value.

W R MANSPIELD

The 4th Argust 1864

Average quotations for each year in Bombny of English and Australian Sovereigns and English and Australian Bar Gold.

	3.7			
Yeire.	Engluh Sorersigns.	Austrellen Surereigns.	English Bar Gold, 93 Touch.	Australian Remarks.
	Rs. A. P	Rs. A. P	Ra & P	Rs. A. P
1857	10 3 7 each	No Quotation	No Quotation.	No Quotation.
1855	10 2 2		15 14 4 per tolah	
1850	10 6 9		10 0 6	
1860	10 5 4	10 7 3 cach	16 4 2	per tolah bars from (13 carats)
1881	10 4 9	10 3 8	10 1 7	15 5 7 (23 careta,)
1863	10 6 0	10 3 8	10 3 1	15 14 * (23) carata)
1563	10 4 1	10 8 9	10 8 1	16 1 2 (22 cents)

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The Agent, Oriental Bank (who are perhaps the largest importers of bar silver), states that he always sends it to the Mint, and there can be no doubt that the Mint piece is the average one, as most of the silver imported is brought to the Mint, which would not be the case if it fetched a higher piece elsewhere. The Mint price being fixed, silver is never sold below it, unless at a trifling reduction on account of interest. The Mint piece was raised by one per cent. in the year 1833. Aus-

trains sovereigns are not quoted. There are quotations for bar gold for about twenty years, but they do not give the touch, and are therefore of no value. Bs 16 8 is the present price for pure gold per tolah.

J A. BALLARD, Lieut Col., Mini Master

Bombay Mint July 1864

RESOLUTION—By the Government of India Pinancial Department — No 2908 dated 19th October 1868.

Read agaiu-

Financial Resolution, dated the 3rd February 1886, No. 502, appointing a Commission, with His Excellency Sir W Mansfeld as Prendent, to investigate and report upon the operation of the Paper Currency Act, upon any improved arrangements, including the introduction of Notes of the denomination of 5 rupees by which it could be rendered more effective, and upon any extension of the monetary system which the increasing commerce and prosperity of the country may seem to require.

Read-

A letter from the Secretary of the above-named Commission, daied the 4th October No B2, submitting a Report containing the conclusions arrived at by the Commission on the subjects referred for their investigation.

RESOLUTION —The Governor General in Council is pleased to direct that the Report of the Currency Commission be published in the Gazette of India for general information. His Excellency in Council takes this opportunity of recording his acknowledgments to the President and Members of the Commission for the uttention bestowed by them on the important subject committed to their enquiry, and to convey to thom an assurance that their conclusions will receive the careful consideration of the Government of India.

Ordered that this Resolution be communicated to the President and Members of the Commission and to the Secretary of the Commission, and be published in the Supplement to the Ga ette of India, together with the Report of the Commission From J. Cochrane, Esq, Calcutta, to the Private Secretary to His Excellency the Viceroy and Governor General,—Dated 27th March 1868.

May I request that you will be kind enough to lay the enclosed letter respecting the propriety of establishing a double currency before His Excellency the Viceroy and Governor General.

From J. Cochrane, Esq, Calcutta, to His Excellency the Viceroy and Governor General,—Dated 27th March 1868.

I venture to submit to your Excellency some remarks on the proposed introduction of gold either in opposition to silver, or as forming, along with silver, a double standard.

From some notice in the papers, it would seem that this truly important question has not yet been finally settled

I may be paidoned for the following introductory observations, masmuch as they contain an explanation of the principle on which I rest my opposition to the formation of a double standard

About the end of the seventeenth century the current coin of England had been reduced by clipping and other practices about 30 per cent below the standard of the Mint. At that time the pieces new from the Mint had no more value as currency than this debased coin, though no man, I apprehend, could now by any sophistry, however ingenious, convince either himself or his neighbour that the latter was of the same value as the former. Yet, though the fact was admitted, the remedy proposed in the language of the day was "to raise the value of our money" with a reference to the scarcity and consequent high price of bullion, and the specified plan proposed was to coin an ounce of silver into six shillings and three pence, instead of five shillings and two pence.

This plan was supported by official characters of the greatest reputation and practical knowledge, and by persons of the most extensive experience in trade

Luckily, however, the fallacy of such opinions was exposed by Mr. Locke in his letter to Lord Somers, and the Government withdrew the deteriorated currency from the market and replaced it by the regulated coinage

The simplicity and accuracy of Mr. Locke's observations have attracted and justly deserve the encomiums of all. He observes —

"I spoke of silver coins alone, because that makes the money of account and measure of trade all through the world. For all contracts are made, I think, and accounts kept in silver coin. I am sure they are so in England and the neighbouring countries.

"Silver therefore, and silver alone is the measure of commerce. Two metals as gold and silver cannot be the measure of commerce both together in any country; because the measure of commerce must be perpetually the same, invariable and keeping the same proportion of value in all its parts

"But so only one metal does, or can do to steelf so silver is to silver and gold to gold—and an ounce of silver is always of equal value to an ounce of silver and an ounce of gold to an ounce of gold to we ounce of gold and two ounces of the one or the other of double the value of an ounce of the same But gold and silver change their value one to another; for supposing them to be in value as 16 to 1 now perhaps the next month they may be 16 the or 16 th to 1 and one may as well make a measure a yard whose parts lengthen and shrink as a measure of trade of materials that have not always a settled invariable value to one another

"One metal, therefore, alone can be the money of recount and contract, and the measure of commerce in any country—the fittest for use for many reasons—is silver which need not here be mentioned

It is enough that the world has agreed on it and made it their common money and, as the Indians rightly call it, measure."

The truth and simplicity of the above definition are plainly apparent. The whole of the letter of this celebrated man to Lord Somers is deserving of the most attentive perusal.

The dectrine maintained by Mr Locke is supported by Adam Smith, Mr Huskisson Lord Laverpool Mr Blake, the author of the beautiful essay on the Exchange and Mr Rueardo Lord Liverpool in his letter to the King states the evils which arise from a nation having two stand ards of money, each a legal tender

Mr Ricardo at page 18 of his pamphlet on the high price of bullion published in 1810 observes —

"No permanent measure of value can be said to exist in any nation while the circulating medium consists of two metals, because they are constantly subject to vary in value with respect to each other. However exact the conductors of the Mint may be in proportioning the relative value of gold to silver in the come, at the time when they fix the ratio, they cannot prevent one of the metals from rising while the other remains stationary or falls in value."

So late as 1810, Mr Toole, in his History of Prices, at page 215 of 1838-30 observes ---

"With regard to a double or concurrent standard as it has been called of gold and allrer it has been to me a subject of constant wonder how it could be that pro-

jects for placing our currency on such a footing should ever have been put forward by persons entitled to have any attention paid to their opinions

"There is no one more disposed than I am to admit the force of disturbing causes in qualifying the application of general principles to the actual course of affairs, but the principle involved in the question, whether one or two (and if two, why not three or more?) metals should constitute the standard of value in the interchange of commodities, and of property of all kinds, is so wholly deducible from a clear view of the uses and purposes contemplated by the establishment of any standard, as a medium of exchanges and as the commodity stipulated in contracts, that the determination of the question, in its practical application, has been considered by all writers of any eminence on the subject as proceeding exclusively on general grounds of consistent reasoning and not dependent upon particular facts, as to the position of any country with reference to its commerce or its banking establishments. It has been treated, and justly so, as determinable on scientific principles only."

"That one metal only should be the standard is accordingly a point upon which scientific writers—Locke, Harris, Adam Smith, Ricardo, Mill, Senior, McCullock, &c—are all agreed, and to this host of authorities, in accordance, moreover, with the plain obvious purpose and meaning of a standard of value, the numerous bodies and persons who propose the change on the ground of the too great restrictiveness of the present system of convertibility of the paper into gold, have only to oppose the authority of Lord Ashburton

"As far as I have been able to collect Lord Ashburton's reasons in favor of a double standard, they resolve themselves into the supposition that it would afford more ease and facility to the Bank in maintaining a larger circulation of paper, or the same circulation with a less reserve of bullion, than under the present standard supposition will be well founded only if the variations between gold and silver were considerable, and alternatively on one side and the other, and in this case, exactly in proportion as the facility to the Bank would be greater, by so much the greater would be the inconvenience to the public, by the uncertainty to which the option of the debtors would expose the transactions which were the foundations of the debt uncertainty would be particularly objectionable in our foreign commercial relations, as it would necessarily entail a wider range of fluctuation in the exchange than under a single standard If, however, the variations between the two metals should be very small, in that proportion would be the convenience, or, as Lord Ashburton terms it, the 'ease and facility' be less to the Bank and to debtors generally, and in the same degree would be the inconvenience to the public diminished "

"But to whatever extent the difference might be, it would still be an inconvenience. In his recommendation of the double standard, Lord Ashburton referred to the example of France in proof of the convenient working of the double system, but that example furnishes no proof at all, masmuch as the standard of France is for all practical purposes of silver only, gold, as I have before observed, having been invariably at an agio or premium upon the relative proportions fixed by the mint regulations, and if the substitution of a double standard proposed for this

country were to be on the same footing as in France, the observation I have already made on the comparative restrictiveness of a silver standard would apply to their normal double standard."

Such are the authorities which support the opinion of Mr Locke. But let me now ask where is the necessity of this double standard?

Numerous banks have been established throughout India with large available funds ready for profitable employment.

The enormous importations of silver within the last few years with the note circulation of Government and the Bank of Bengul greatly facilitate commercial transactions

This matter is so admirably explained by Mr. Blake that I digress for a moment to notice the consequences of over issue. He observes —

"The drain on the bank will begin under any circumstances whenever the depreciation of the currency from over issue has raised the market price of bullion above its mint price and will continue till the loss which the bank must suffer by the purchase of bullion to supply the drain shall compel the directors to diminish the number of notes so as to bring back the currency to its usual level. The price of bullion will then fall to its mint price, and no longer afford a profit on being melted, the nominal exchange will invariably mark the amount of depreciation during its continuance, and when the depreciation coases the nominal exchange will rise to par

"The adoption of a paper currency therefore, can never be injurious to a country so long as it is convertible at option into specie the temptation to its over usus will always be sufficiently checked by the principle that has just been explained, and independently of the convenience of making the larger payments. It will certainly be advantageous to earry on the circulation of a country by a cheap rather than a country has a cheap rather than a country by a

The advocates of a double currency seem loudest in their clamours on any great emergency

In all cases of mercantile calamity the usual cry is that " there is not sufficient circulating capital "

But in nine cases out of ten the cry arises not from any want of adequate circulation but from parties having entered into engagements beyond their power to fulfil. The late great failures of joint-stock banks establish this beyond dispute

This complaint, as the able anthor Mr. Tooko observes, attracted the attention of Adam Smith in his celebrated treatise on the wealth of nations, who remarked —

"No complaint is more common than that of a scarcity of money. Money, like wine, must always be scarce with those who have neither wherewithal to buy it or credit to borrow it. Those who have either will seldom be in want of the money or of the wine which they have occasion for. This complaint, however, of the scarcity of money is not always confined to improvident spendthrifts, it is sometimes general through a whole mercantile town and the country in its neighbourhood. Overtrading is the common cause of it. Sober men, whose projects have been disproportioned to their capitals, are as likely to have neither wherewithal to buy money, nor credit to obtain it, as prodigals whose expense has been disproportioned to their revenue. Before their projects can be brought to bear their stock is gone, and their credit with it. They run about to borrow money everywhere, and every one tells them they have no money to lend."

The above description admirably describes the late commercial storm which burst over London about a year or so ago

The late panic did not arise from any want of circulating medium to justify a demand of a double standard. The fall in the markets, the terrible disclosures made of the affairs of joint-stock companies, destroyed all confidence. Every one rushed to the banks for their menoy. Even banks of known solidity, merchants of undoubted wealth and honor, were all endangered

In this emergency the Bank of England was necessitated, as a mere measure of personal safety, to refuse discounts. This measure, though absolutely called for by the dictates of prudence, necessarily aggravated existing evils. With every anxiety to assist the mercantile interest, the enormous amount of liabilities outstanding against many joint-stock companies precluded the possibility of assistance. They perished, some from their own infamy and others from unguardedly entering into obligations beyond their power in such circumstances to meet

This great bank, however, was not unmindful of the condition of other banks and mercantile houses

Though their advances had nearly passed the limit allowed them by law, yet with a view to the general security of the public, they caused an application to be made to the Ministry to allow them, under particular circumstances, to pass the prescribed limit. The Ministry returned an answer that Parliament would be moved to sanction the proposal. If I err not, the mere intimation of this relieved many from pressure, and the Bank of England was enabled to do its duty alike to the public and the mercantile interest without passing in any degree the limit allowed

Is it possible that anything that occurred on that occusion can in any way justify or support an application for in double standard? It would be impossible to contend that sufficient metallic currency did not exist in England. The enormous importation of gold into the country repudiate such a supposition. The parties who press such matters on the attention of authority are either parties concerned in trade or connected with the numerous joint-stock establishments which have spread over England

The warning against attending to the statements of such parties is so important that I cannot refrain from quoting it. In Mr. Blake's Essay at page 94 he observes —

"The merchant by knowing the computed exchange and the current prices in the home or foreign markets, and without any acquaintance with the theory of exchange, or the principles which regulate it, will always have sufficient practical data to guide him in his commercial transactions; but the statesman should beware in making general legislative provisions that he is not misled by the partial statements of men whose individual interests are frequently in direct opposition to the general welfare of the country. This remarks not meant to carry any illiberal inamnations against a most useful and respectable class of the community but experience sufficiently proves that self interest gives a bias to the mind which without its being conscious of the influence will mislead and pervert the judgment."

In support of this warning I need only refer to the extraordinary proposition made by persons of the first eminence for remedying a deteriorated currency by increasing the nominal value of the coin issued. It would be difficult to believe that such a proposal should emanate from men of ability if we had not the letter of Mr. Locke to Lord Somerabefore us

Another startling example to the same purpose is not wanting

When the question regarding the resumption of cash payments by the Bank of England was under discussion in Parliament all the corporate bodies—nearly all the merchants and the entire banking interest were directly opposed to the measure—luckily without success—Cash payments were resumed, and the Bank of England's credit stood greater than ever

The introduction of joint-stock banks, though n necessity of the times, has greath affected the position of the British mereliant so long and justly held in honor by all foreign nations. The course of business from father to son the careful necumnlation, the habits of business and the untiring industry and prudence exhibited in their conduct —all these

have given place to men of a different stamp. It is the bold speculator who now stands forth watching the condition of the markets and boldly throwing the dice for a fortune or a grave,—all such exercise as it appears to me an influence unfavorable on public morals

That able and respected man, Mr Wilson, the late Financial Member of Council, was distinctly and resolutely opposed to a double standard

What necessity is there for pressing such a measure? There is no title to assume that the metallic currency is not amply sufficient for all mercantile purposes

It is a matter of satisfaction to state that during the late mercantile storm the four or five great houses in Calcutta passed through uninjured

But there are other considerations which are plainly opposed to any alteration in the standard as proposed

In the first place all contracts are made in rupees

Secondly, the Government have undertaken that the whole territorial debt shall be paid in rupees

These are matters of no ordinary importance, but I will now put a contingency of a very serious nature Before I do so, it may be as well again to quote from the work of Adam Smith, who, at page 107 of Book the 1st, Chapter 11, observes —

"Before the discovery of the mines in America, the value of fine gold to silver was regulated in the different Mints of Europe between the proportions of 1 to 10 or 1 to 12,—that is, an ounce of fine gold was supposed to be worth from 10 to 12 ounces of fine silver. About the middle of last century, it came to be regulated between the proportions of 1 to 14 or 1 to 15,—that is, an ounce of fine gold came to be supposed worth between 14 or 15 ounces of fine silver."

At present the value of the two metals is about $15\frac{1}{2}$ ounces of silver to 1 of gold.

This deterioration of the respective values of the two piecious metals was not observed for upwards of 25 years

If the Government were to introduce a double standard by introducing gold they would expose themselves and the public to the attendant evils which arise on a fall in the value of gold. This is not an idle apprehension, what took place with reference to silver may equally apply to gold.

If such were to take place the Government would receive their revenue in a deteriorated currency, and the injury and consequent distress to the public would surpais description. Whether we may attribute the doubling of all articles of consumption to the influx of gold, I will not undertake to say, but the fact is still before us that every thing within a short period has doubled in price

It is quito pleasing to find that the principles laid down by Mr. Locke regarding the necessity of a single standard are supported by that intelligent Frenchman, Monsieur Chevalier, in his book on the probablo full in the value of gold. The book was translated by Mr. Cobden and published in 1859. At page 114 of his work he points out the sufferings and difficulties which will attend such a full even in translation. I have taken from recorded authority the fall in the value of silver which amounted to one-third. This able man supposes it will amount to ene-helf in gold. In such a case the ruin of individuals and the destruction of property would be enermous.

What occurred with silver may again occur with gold Well may this able Frenchman warn his Government from the path they are treading

I trust that the opinions of the various statesmen I have alluded to will find weight with Your Excellency. The unanimous sentiments of all able writers are directly opposed to any alteration of the standard. Is it wise to tread on the blind path recommended, without the smallest necessity?

Having considered this subject for some years. I venture to submit the foregoing remarks to the consideration of Your Excellency

From F R S Willie Esq., Acting Secretary to the Government of Bombay, to the Secretary to the Government of India, Financial Department—No 1077, dated 18th November 1808

I am directed by the Right Honorable the Gevernor in Council to forward, for the consideration of the Government of India the accompanying copy of a letter from the Secretary and Treasurer of the New Bank of Bombay, and to state that this Gevernment concurs in the views therein expressed

From M. Balfour, Esq., Secretary and Treasurer, New Bank of Bombay, to the Chief Secretary to the Government of Bombay, Financial Department,—No. 4614, dated 12th November 1868.

The attention of my Directors has been called to notification No 3287, dated Simla, 28th October 1868, in which the Governor General of India in Council is pleased to direct that sovereigns, half-sovereigns, and gold mohurs, shall be received in all the Treasuries of British India in payment of sums due to the Government as the equivalent of Rs. 10-4-0, Rs 5-2-0, and Rs 15, respectively.

By the agreement under which the Bank now carries on the business of paying and receiving money on behalf of the Government of Bombay, formerly transacted at the Government Treasury at Bombay, provision is made, amongst other things, that for the purpose of ascertaining the Government cash balance, sovereigns and half-sovereigns shall be reckoned or included.

The practice has been to value these coins at Rs 10 and Rs. 5 respectively

The clause was intended to utilise such sovereigns as might come into the possession of Government from natural causes, and as it was barely possible that the value at which the Bank has allowed credit for them to Government could be higher than that current in the open market, the Bank practically ran no risk of locking up its funds in an inconvertible and non-interest bearing security, while it is believed that neither party to the agreement contemplated the deposit at any time by Government of a sufficient number of sovereigns to interfere with the working of the Bank

The present order of the Governor General of India applies to all Treasuries No communication on the subject has been received by the Bank from Government, nor are my Directors aware how Government expect the Bank to treat sovereigns received by it on Government account under the notification already quoted.

My Directors are aware that the Governor General of India in Council has the power under Act XIX of 1861—an Act to provide for a Government Paper Currency—to direct that notes to an extent not exceeding one-fourth of the total amount of issues represented by coin and bullion shall be issued at such Offices or Agencies of issue as may be named in the order in exchange for gold coin, &c.

balance of twenty five lakhs, or to pay interest on the daily sum by which it may fall below that minimum.

I have pointed out that at present the Government minimum is practically less than two thirds of what it engages to keep, because the remainder is in copper coins which do not circulate

An accumulation of sovereigns might deprive the Bank of muy ad vantage whatever from the minimum cash halance which Government undertakes to maintain and so reduce the payment by Government for the duties it performs—a payment which is already admitted to be small enough.

But the question goes far beyond a reduction of the allowances made to the Bank for managing the Government business, it may affect the very stability of the Bank for it is quite possible to suppose that with a sufficient number of sovereigns in its coffers to pay, at Rs 10-4 each, overy hability it could not discharge in current coin the cheques of its constituents for the balances at their credit.

My Directors desire therefore that you will take the earliest opportunity to bring the question to the notice of His Excellency the Governor in Conneil, and to ascertain for the information of my Directors, whether Government expect the Bank to give it credit in account for all sovereigns half sovereigns and gold moburs, sent in at Rs. 10-4, Rs. 5-2, and Rs 15 respectively and if so, how it will relieve the Bank from a stock of inconvertible com should an accumulation take place, and at what point it will doem interference necessary

It seems to my Directors necessary that in the interests of the shareholders of the Bank these points should be definitely settled

My Directors have endeavoured to explain the dangers which may menace the Bank from the operation of Notification No 3287 of 28th October, and which they cannot contemplate without grave approchension. They have also asked you to be good enough to obtain the sense of Government on the three points which must decide the course they will pursue under present circumstances. But they desire very respectfully to observe that all inconvenience even from the operation of the notification may be at once obviated by declaring the gold coins therein referred to to be a legal tender. The Honorable Mr. Massey, in a memorandum dated 2nd February 1800, on the working of the Paper

Currency Act, observed: "Two points, however, may be considered as determined. One is that nothing short of the recognition of the sovereign, or some other denomination of gold coin, as a legal tender will suffice, and secondly, that the result of this recognition must be sooner or later the establishment of the more precious metal as the ruling standard." The question, therefore, has already been considered, and it is significant that the Honorable Mr. Massey's remarks were penned after the acknowledged failure of the experiment to introduce gold as part of the circulating medium.

From—E. II Lushington, Esq, Secretary to the Government of India, Financial Department, to the Secretary to the Government of Bombay, —No 222, dated 9th January 1869.

I am directed to acknowledge the receipt of your letter No. 1677, dated 18th November, forwarding a copy of a letter from the Sceretary and Treasurer of the New Bank of Bombay, in which the Government of Bombay concur.

- 2. In reply, I am desired to observe that His Excellency the Governor General does not anticipate any possible inconvenience to the Bank from the notification of October 1868, as it will be always open to the Bank to forward sovereigns when received in payment of Government dues at the rate of Rs 10-4 to the Currency Department, and to receive in exchange at the same rates notes or silver, or such proportions of each as they may desire. As it is not the present intention of Government that these sovereigns should be paid away to the public but provisionally accumulated up to a moderate and manageable amount in the Mint for the purpose of being coined in 15, 10 and 5-rupee gold pieces under Act XVII of 1835, the Bank will of course avail themselves of this opportunity of exchanging gold for notes or silver whenever any appreciable amount of gold is paid into the general Treasury
- 3. I am to add that at the market prices which sovereigns have recently commanded, there does not seem to be any immediate apprehension of inconveniently large quantities of this coin being paid in. If such emergency should arise, the Government would at the time decide what steps should be taken
- 4 The above-mentioned notification, I am desired to point out, relates only to Government treasuries, and there is no intention whatever of requiring the Bank in its capacity as the Government Treasury to

undertake any duties or to undergo any inconveniences beyond those natually provided for in the agreement

From E. H. Lushington, Esq., Secretary to the Government of India, Financial Department, to the Mint Masters, Colonita, Madras and Bombay—No 223, dated 9th January 1869

I am directed to request that as it is possible that sovereigns may be paid in considerable numbers into the Currency Departments through the Presidency Banks under the orders contained in the accompanying corres pondence, you should be prepared to rehere the Currency Departments from the gold as it accommittee, paying them for each sovereign at the prescribed rate of Rs 10-4 0, and to coin these sovereigns into 15 10 and 5 rupes gold pieces according to the standard laid down in Section 7, Act XVII of 1835

• If you should not have dies in your possession to make these coins, they should be indented for from England without delay, of the same pattern and size as those which have been already ordered for the Calcutta Mint.

From E H Lushington, Esq, Secretary to the Government of India, Financial Department to the Comptroller General of Accounts, the Head Commissioner of Currency the Accountants General, Madras and Bombay to the Commissioners of Currency, Madras and Bombay,

—No 224, dated 9th January 1869

I am directed to forward, for your information and guidance, a copy of

From Acting Secretary t the Government, Bombay t Secretary to the Government of India, Financial Department, No. 1677 d ted 18th Novem her 1863, and an enclosure

To the Secretary to the Gorernment of Bombay \a. 223, dated 0th January 1869. 2 The same course which has been prescribed for the Bank of Bombay should be equally observed by the Banks of Bengal and Madras.

of sovereigns paid into the Currency Department should appear likely shortly to reach the maximum limit of one-fourth, as laid down in Section 9, Act XIX of 1861, an immediate reference should be made to the Government of India for such further instructions as the Governor General in Council may deem proper to usue

4 All officers in charge of Currency circles should be duly authorized to give notes or silver in exchange for sovereigns at the prescribed rate, but not to pay out any sovereigns which may thus be obtained.

From Lieut-Colonie II. Hydr, R.E., Ilead Commissioner of Paper Currency, to the Secretary to the Government of India, Financial Department,—No. 568, dated 14th January 1869.

In reply to your letter No. 223 of 9th January 1869, to the Mint Master, and No 224 of same date, to me as Head Commissioner of Paper Currency, I have the honor to point out that in the Currency Department the several Offices of Issue have been instructed to receive sovereigns and half-sovereigns at Rs. 10-4 and Rs 5-2 respectively, and that under the Currency Act XIX of 1861, the amount they were able to receive on the date of last return, viz.,—

		Com and bullion	Gold
		Rs	$\mathbf{R}\mathbf{s}$
7th January 1869, was at	Calcutta	2,00,18,274	50,01,568
	Bombry	. 2,58,01,669	64,50,417
	Madras .	. 24,59,356	6,14,839
	Allaliabad	. 39,11,128	9,77,782
	Lahore	21,67,592	5,41,898
	Calicut	8,89,021	2,22,255
	Trichmopoly	4,92,911	1,23,227
	Vizagapatam	6,89,941	1,72,485
	Nagporo	32,18,498	8,04,624
	Kurrachee	30,31,054	7,57,763
	Akola	99,350	24,837
	TOTAL	6,27,78,794	1,56,94,695
		· · · · · · · · · · · · · · · · · · ·	,

- 2. A report will, in obedience to your instructions, be made immediately on any large influx of gold, but I have to solicit orders on the following case
- 3. The Act empowers me to hold one-fourth of the bullion and corn balances in gold. If gold to that amount should be tendered, and afterwards the silver balance be reduced by large withdrawals, how is the currency balance of gold to be reduced within legal limits?
- 4 In letter No. 225, you direct me as Mint Master to be prepared "to relieve the currency from the gold as it accumulates, paying in silver for each sovereign and half-sovereign at Rs 10-4 and Rs 5-2 respectively"
- 5. I have to point out that, under orders of Government contained in letter No. 2273, dated 17th December 1866, the Mint holds no

balance and usunable therefore to pay for the sovereigns—the working capital of the Mint is practically all Currency bullion

- 6 You further matruct me to coin these sovereigns into 15 10, and 5 rupes gold pieces. I can carry out this order so far only as the 15 rupes pieces is concerned. Dies for 10 and 5 rupes pieces have never been made.
- 7 I have to point out that the conversion of sovereigns into 15The Mint out-turn
 of 100 sovereigns at
 the midnum weight
 would be nohurs

 at Ra 15 per
 mohur = Ra
 100-97

 100 sovereigns received by (overmeet at Ra 10-4

eigns into mohnrs

8 I have pointed out that the Mint having

8 I have pointed out that the Mint having

14-63 no balance cannot keep the gold coin If,
then the Currency Department also cannot retain the gold coins they must be sent to

the General Treasury I must therefore ask for orders to be issued for the General Treasury to reimburse the curroncy the cost of these coins at the original rate of Rs 10-4 and Rs. 5 2 in addition to Minting expenses.

From R B Charman, Esq Officiating Secretary to the Government of India, Financial Department to the Head Commissioner of Paper Currency -No 879, dated 4th February, 1800

I have the honor to communicate to you the orders of the Government of India npon your reference No. 508, dated 14th January

- 2 It is not the intention of the Government that the Currency Offices should at present receive sovereigns and half sovereigns in exchange for Indian con, to any considerable extent, except from the Treasures under the circumstances to be presently explained. The Offices of Issue at the presidency towns may, and should exchange both sovereigns and Indian gold come with the public at the rates specified in the Notification No 3257 dated 28th October 1808, in small quantities, for the convenience of individuals but nothing more. So far as the orders to which you reply may bear a different construction they are to be read with this interpretation.
- 3 So also, it is not the design of the Government to depart in any way from the pledge given in the Notification that "sovereign,

whenever available at any Government Treasury, shall be paid," at the rates notified, "to any person willing to receive them in payment of claims against the Government". So long as sovereigns pass freely and readily into circulation at these rates, there will be no occasion to recom them into Indian gold pieces, and they are not to be sent to the Mints. Sovereigns and half-sovereigns are to be sent to the Mints for conversion into Indian com only in ease they accumulate in the Treasuries to an amount larger than the public are likely to take back in any moderate time upon the terms stated. The orders contained in para 2 of this Office letter of the 9th January, No. 223, are to be read with this construction.

- 4 You estimate the loss that will result from the conversion of English and Australian gold pieces into Indian gold coin at 142 per cent. In your letter as Mint Master, No. 624 of the same date, you reckon the loss on the conversion of 67,000 sovereigns at 8 per cent. You have explained demi-officially that in the one case, you assumed the weight of sovereigns at the minimum, in the other at the standard legal weight. It appears probable that the aethal out-turn of any such operation would be something between the two estimates, and that at any rate the loss, calculated upon the principle which you have adopted, would not greatly exceed 1 per cent.
- 5. Your calculation, however, provides for a seignorage charge at the Mint of 1 per cent, and as this would be a mere inter-departmental debit, it appears that little or no loss is in fact likely to be incurred.
- 6 For the Mints, under these circumstances, to charge a seignorage to the Treasury, should they be called upon to convert sovereigns into Indian gold coins, appears to the Governor General in Council to be unnecessary, and His Excellency in Council is accordingly pleased to direct that no such charge shall be made.
- 7. And it is the desire of the Governor General in Council that whatever profit or loss may otherwise arise upon any such transactions that may occur, shall be adjusted in the accounts of the Mints It is not likely to be otherwise than quite inconsiderable.
- 8 Moreover, it seems to His Excellency in Council that so long as the Notification No 3287, dated 28th October 1868, remains in force, the Government practically undertakes to convert sovereigns and half-sovereigns into Indian gold coin without seignolage charge, for it offers to receive sovereigns and half-sovereigns at fixed rates in discharge of

Government dues, with the intention of converting them in case of need into Indian pieces.

- 9 It would seem to follow that no seignorage ought to be charged on sovereigns and half sovereigns received at the Mints as bullion (the only way in which the Mints can receive them), in case any of these coins should be so tendered by the public.
- 10 I am to invite an expression of your opinion upon this point and also upon the larger question whether, as it is desired to encourage the introduction of gold into the country, it would not be proper to receive bar gold and gold hullion in general upon the same terms, i e, to make no charge for its connage. This would be, you are nware, only to adopt a pratice largely in necordance with the example of the London Mint.
- 11 For the present, it is not likely that the Mints will be called upon to convert sovereigns largely into Indian coin and it is not probable that there will be the least difficulty in the way of the Government Treasuries assuing to the public any Indian gold pieces that may be coined. These coins as yet stand at a considerable premium and have done so for a very long time while it was, and is the design of the Government that, under the Notification No 3287, dated 28th October 1868, they shall be issued at the value assigned to them by Act VVII of 1835. Upon the whole, it is highly improbable that the Treasuries will at present be in convenienced by the accumulation of gold in either form.
- 12 So long as the Treasuries are relieved in the natural way of all the gold that reaches them, there is no occasion for the Currency Department to have anything to do with the matter
- 13 Should sovereigns and half sovereigns necumulate in the Treasuries to an amount in excess of the probable demand for gold in that shape the procedure will be for the Treasuries to transmit them direct to the Mint which will in usual course return to the Treasuries the outturn in Indian coin without deduction on account of seignorage.
- 14 And if contrary to the expectation of the Government of India, the Treasuries should find any difficulty in passing out the Indian gold pieces which may be could under these arrangements they will then exchange them for notes for silver in the Currency Department so long as that Department can legally give them the accommodation. Any consequent necumulation of gold in the Currency Offices at the Presidency Towns should be relieved, as far as possible, by remitting to the internal Currency Circles as much gold as they can legally hold

It will be time enough to consider what other measures should be adopted when the reserve of gold at the chief offices and the internal offices alike shall approach the legal limit. The Currency Department could at any time be relieved at once by transfer of any excess gold to the Treasury.

ORDERED that copy of Colonel Hyde's reference and of these instructions, omitting paras 8 to 10, be forwarded for information and guidance to the Government of Bombay, Comptioller-General of Accounts, Accountants-General, Bombay and Madias, Commissioners of Currency, Bombay and Madias, Mint Masters, Calcutta, Madras and Bombay, in modification of my letter dated 9th January 1869

Minute by the Honorable Sir Richard Temple,—Dated 5th June 1868

In reference to the possible introduction of a gold entreney for India, I submit that further measures should be considered for the accomplishment of this end

This would be in accordance with the recommendations addressed to the Government of India from all quarters, with the recorded opinions of three successive Finance Ministers, Mi Laing, Sir C Trevelyan, and Mr Massey, and with the express representations of the Currency Commission of 1866, under the presidency of His Excellency Sir W Mansfield, who is one of the flist living authorities on the subject, and by whom the deliberations of Government in this matter have been most materially assisted

I am personally much indebted to His Excellency Sir William Mansfield for advice and support in the preparation of the case which I have now to lay before the Government of India

The notification by the Government of India issued in November 1864, declaredly with the view

"that the circulation of British and Australian sovereigns in all parts of British India should be encouraged and facilitated,"

though to some extent successful at first, has for some time remained inoperative, since few or no sovereigns are now presented at the treasuries, and in the opinion of the best informed authorities is likely to continue inoperative

The cause of this appears to be that, in the notification, the amount of ten rupees offered as equivalent for the sovereign is not generally sufficient to nitract sovereigns, as the above rate is somewhat below the average market value of the sovereign. This result was indeed predicted in Sir W. Mansfield's Minutes of 1864, and was indicated in Sir C. Wood's despatch of 26th September 1864. This view is further enforced in the Currency Commission's report.

Inamuch as the Secretary of State in the above despatch desired that gold com should be received into the public treasuries at a rate to be fixed by Government, and further observed that

it may be desirable to try as an experimental measure the course suggested," remarking that

"this would facilitate the use of sovereigns in India,"—
and masmuch as the notification was issued to facilitate accordingly
the influx of sovereigns, which object had not been attained apparently because the rate offered as equivalent for the sovereign was to
low—I am of opinion that the question ought now to be considered of
ruising the profered rate somewhat above ten rupees—n course which
would print faces necord with the principles laid down by Sir O Wood

At the same time of the amount (understood to be about 500,000) of sovereigns received in the treasures in consequence of the notification a large portion is believed to have been rapidly taken up by the public, while some portion (about 160 000) remaining in the treasury was transmitted to England in 1865. It may be that the last-named transmission was due to a particular state of the exchanges at the time. This matter should be more particularly examined in the Financial Department.

The average market value of the sovereign—by which the rate to be offered as equivalent in rupees should be regulated—has been fully discussed in Sir W. Mansfield's Minutes of 1804

The following passages may also be quoted from Sir Charles Wood's despatch of September 1864:—

- "Para 10.-With regard to the first proposal of coining sovereigns in India, Mr Brown's paper contains a calculation of the cost at present of producing a sovereign at a Mint in India, and he estimates it at Rs. 10 4-6.
- "17 With regard to the second proposal of importing sovereigns, Mr Dunlops paper estimates the price calculated in rupers (and the rupees taken at the one-tenth part of an English pound) at which an English sovereign can be laid down at Calcutts, at Rs. 10-4-10 that of an Australian sovereign at Rs 10-2 0
- "18. The prices at which Amiralian sorereigns have been actually sold at Calentia, according to Mr Dunlops papers give a higher value for the sorereign than this, and the prices of English soverrign which I have received from Hombay are also rather higher than the price above given.

"19 I do not know that, in the present exceptional state of the markets for produce in India, the present prices of the precious metals are a good criterion of their value. On referring to the prices of silver in the markets of Europe, the intrinsic value of the sovereign in rupees would seem to be about Rs. 10.8 at the present price of silver in London, and about Rs. 10.12 at the price which prevailed some time before 1850."

Further, in reference to the possible consideration that the rate should be fixed mainly with regard to the price at which coined gold could be laid down in India from the cheapest and nearest source of supply-namely, Australia—the following passages from the Minute by Mi. Arbuthnot of September 1864 seem to show that regard ought also to be had to the price of coined gold from England —

"Mr Dunlop comes to the conclusion that British coined gold can be laid down in Calcutta at Rs 10-4-10 per sovereign. I have ascertained from the Manager of the Oriental Bank that the actual cost of sovereigns sent by that establishment to India in 1863 was at the rate of Rs 10-3 4. The difference is important, because much stress is laid in the Minute (by Sir C. Trevelyan) on the economy of direct transmission of gold from Australia to India."

Then further adverting to the following passage from Sir C Tievelyan's Minute that

"the sovereign must be rated, not with reference to its value in England, but solely with reference to the cost at which it can be obtained from the cheapest source of supply, that is from Australia"—

Mr. Arbuthnot goes on to say-

"It might be a sufficient practical answer to this suggestion to observe that if the importations of treasure into India are to go on at their present rate * * Australia could not supply all the gold that might be required"

Again, he observes that

"sufficient consideration is not given to the circumstance that, notwithstanding the facilities afforded by the Australian market, it has yet been found profitable to our merchants to send direct from London one-third of the gold required in India."

Under all the circumstances, I propose, if His Excellency in Council shall approve, to consult the Governments of Bengal, Madias and Bombay as to the exact rate which shall be fixed above ten rupees, with a suggestion that they refer to any particular person or persons who might be experts in this matter. I also propose that Mr. Dickson, the Secretary to the Bank of Bengal (who is believed to be generally in favor of raising the rate), should be similarly consulted. These several communications should be made confidentially.

After these opinions shall have been received and collated, the Gov ernment of India will I submit, be in a position to consider the propriety of issuing a fresh notification with a revised rating of the sovereign relatively to rupees

I would next observe that Section VII of Act XVII of 1835 relating to gold comage for India, has never been repealed, and is still capable of being put in force. That section runs as follows —

And be it enacted that the under mentioned gold coins only shall henceforth be coined at the Mints within the territories of the East India Company:—

First —A gold mohur or 15-rupes piece of the weight of 180 grame

Troy and the following standard, rs. :--

H or 165 grains of pure gold, or 15 grams of alloy

Second - A 5-rupes piece, equal to a third of a gold mohur

Third —A 10-rupes piece, equal to a taird of a gold monur

Fourth.—A 30-rupes piece or double gold mobur. And the three last mentioned coins shall be of the same standard with the gold mobur and of proportioned weight.

By law then it would be possible to coin gold pieces each equivalent to ten rupees, according to the above standard

In special reference to the above, the following passages may be read from the report of the Currency Commission --

- "Para 20.—The Commission would draw attention to the fact that the price of the gold modur or Government piece of Rs 15, as fixed by Act XVII of 1835, is as nearly as possible the average market rate of the price of coined gold of the present day
- "27 That price as sanctioned by law in 1835 seems to be the legitimate basis on which to found a gold legal tender coinage for India, consisting of pieces of 10 and 5 rupees respectively the 10-rupee pieces having the weight of 120 grams, and the 5-rupee pieces 00 grains Troy Vide Section VII Act XVII of 1835."

In connection herewith, the following passage may be read from Sir C Wood a despatch of September 1803 -

"I see no objection to reverting to a state of things which prevailed in India for many years—namely that gold coin should be received in the public treasuries at a rate to be fixed by Government, and publicly announced by proclamation. This was the case with the gold mohur or 15-tupee piece from 1835 till Lord Dalhousice proclamation in 1852, and with other gold come previously to the reformation of the cur recey in 1835."

There may be doubt as to whether the proclamation of 1552 is any longer needed, and should not now be withdrawn. Mr. Laing a opinion expressed in 1802 may be quoted in support of this view.

If gold pieces were now to be coined in the same way as they were from 1835 to 1852, the influx of gold into India, and the existence of considerable quantities of that metal in the country, might ensure the presentation of a sufficiency of gold at the Mints for coinage. Irrespectively of the presentation of sovereigns, bar gold might be bought by the Mints for coinage when the operation could be effected remuneratively.

At the same time it might be considered whether power should be taken by the Government of India to declare, at such time as might be deemed proper, the gold coins to be legal tender in the same manner as was done by Sections VII and IX of Act XIII of 1862 for silver and copper coins.

Attention may be given to what has been urged in Europe with respect to a combined system of international and decimal coinage, whereby, among other things, the English sovereign would be assimilated to a gold piece having the exact value of 25 francs. It may be remarked that the standard value of such a piece, viz., of 25 francs, would approximate in intrinsic value to the 10-rupee gold piece of 1835, the latter being apparently slightly less than 25 francs, while the sovereign is 20 centimes more. Without committing myself to any opinion, I would just observe that possibly hereafter a bridge may have to be found to the execution of the plans which have been debated in Europe. The points involved in this part of the subject are worthy of further discussion, and of reference to competent authorities.

I apprehend that the question of coining gold pieces, either under the provisions of Act XVII of 1835, or else with reference to some other standard value as might be fixed after enquiry, ought under all the circumstances to be eventually referred to the Secretary of State

In respect to declaring gold coins to be legal tender in India, I incline to think that, before adopting this course, it would be better to await the effect of receiving sovereigns at the revised rating, and of the coining of the proposed gold pieces at the Mints.

I propose, if His Excellency in Council shall approve, that the above points in reference to the coining of gold pieces in India should be referred confidentially to the Governments of Madras and Bengal, and to the Secretary to the Bank of Bengal, with special reference to the more exact determination of the relative values of gold and silver in India, it being borne in mind that the evidence submitted by the Currency Com-

mission is now two years old, and that the tendency of gold to rise in value, which was remarked by Sir W. Mansfield in 1864 (vids note to page 135 of papers relating to gold ourrency), has somewhat declared itself since he wrote.

		R. TEMPLE.
	 	
I agree to thus		
5th June 1868		JL
		W R. M
8th June 1868		GNT
		HSM

I concur in the propriety of making the enquiries desired by Sir R Temple.

13th Jane 1869

J S

1 also

13/k Jane 1868 H M D

From E. H. Lubhinoton Psq., Secretary to the Government of India, Financial Department, to the Secretaries to the Governments of Bengal, Madras and Bombay,—No 768, dated 80th June 1868

It is doubtless known to the Government of (Bengal Madras Bombay) that questions relating to the possible introduction of a gold currency into India have been under the consideration of the Supreme Government, and I am now to request the expression of opinion, in a confidential form on the following points.

2 The notification issued by the Government of India in November 1804 declaredly with the view that

"the circulation of British and Australian sovereigns in all parts of British India should be encouraged and facilitated,

though to some extent successful at first, has for some time remained inoperative maximuch as few sovereigns are now presented at the treasures, and in the opinion of the best informed authorities seems likely to continue inoperative

3 The cause of this is understood to be that in the notification the amount of Rs 10 offered as equivalent for the sovereign is not generally sufficient to attract sovereigns, maxmach as the above rate is somewhat below the average market value and the intrinsic value of the sovereign

- 4 Now, masmuch as the Secretary of State, in his despatch of the 16th September 1864, desired that gold coin should be received into the public treasures at a rate to be fixed by Government, and further observed that
- "it may be desirable to try as an experimental measure the course suggested," iemaiking that
- "this would facilitate the use of sovereigns in India,"
- inasmuch, too, as the notification of November 1864 was issued accordingly to facilitate the influx of sovereigns into India, which object had not been attained, apparently because the rate offered for the sovereign was too low,—the Government of India now deem that the question of the propriety of somewhat raising the proffered rate above Rs. 10 is one that claims early attention
- 5 It will doubtless be in the recollection of the Government of (Bengal, Madras, Bombay) that the average value of the sovereign, by which it is generally held that the rate to be offered as equivalent should be regulated, has been fully discussed in Sir William Mansfield's Minutes of 1864. Also paragraphs 16 to 19 inclusive of the Secretary of State's despatch of 26th September 1864 bear on the same subject
- 6 Further, in reference to the possible consideration that the rate should be fixed mainly with reference to the price at which coined gold could be laid down in India from the cheapest and nearest source of supply—namely, Australia—the Government of India would ask attention to the following passage in Mr George Arbuthnot's Minute of September 1864 Adverting to Sii C Trevelyan's opinion that
- "the sovereign must be rated, not with reference to its value in England, but solely with reference to the cost at which it can be obtained from the cheapest source of supply,—that is from Australia,"—

Mr. Arbuthnot goes on to say-

"It might be sufficient practical answer to this suggestion to observe that if the importations of treasure into India are to go on at their present rate * * * * Australia could not supply all the gold that might be required"

Again, he notes that

- "notwithstanding the facilities afforded by the Indian market, it has yet been found profitable to our merchants to send direct from London one-third of the gold required in India"
- 7 Under all the circumstances, the Government of India wish to be favored with the opinion of the Government of (Bengal, Madras, Bombay) as to whether the equivalent of Rs 10 offered for the sovereign in 1864 should now be revised, and if so, what exactly the new rate

should be On such a subject it is manifestly desirable that some selected gentlemen, who from special experience may be experts in this matter, should be confidentially consulted. And if the Government of (Bengal, Madras, Bombay) should see fit to consult any such gentlemen, the Government of India would desire to be placed in possession of their opinions. It is evident that on a consideration of the average rates which have actually prevailed in past years, and which may be expected to prevail in the immediate future the new rate to be offered for the sovereign should be fixed as precisely as may be reasonably possible it be proposed too low then sovereigns will hardly be presented at the treasuries. If it be proposed at a rate which might be deemed high, then sovereigns will probably he presented, but in that case the subsequent disposal of them might be difficult. Whereas our object should clearly be to establish a rate which, while not prohibiting their presen tation, as seems to be the case at present, should induce the public to look to the superior convenience of gold as a measure of value when realizing dues from the public treasuries. These various considerations will doubtless occur to any experts who may be consulted

8 Further it will be in the recollection of the Government of (Bengal, Madras, Bombay) that section VII of Act XVII of 1836, relating to the coinage of gold pieces in India, has never been repealed, and is so far still capable of being put in force if that course should be found expedient.

In connection herowith, the following passage may be read from Sir C Wood a despatch of September 1861 --

"I see no objection to reverting to a state of things which prevailed in India for many years—namely that gold coin abould be received into the public treasuries at a rate to be fixed by Government. This was the case with the gold mohur or fifteen rupes piece from 1835 till Lord Dalbousies proclamation in 1852 and with other gold come proviously to the reformation of the currency in 1833."

O It appears that many anthorities are now of opinion that the objects for which the proclamation of 1852, prohibiting the receipt of gold mohnts in the treasuries was issued do hardly now exist; and Mr Laiog in 1802 expressed an opinion to the effect that such a proclamation had ceased to be wanted. Under all the circumstances, there is reason for considering whether this proclamation should not now be with drawn. And on this point I am to invite the opinion of the Government of (Bengal, Madras Bombay)

10 It may be worthy of observation that if gold pieces were to be coined now in India, as formerly, the influx of gold into India and the

existence of considerable quantities of that metal in the country might cause the presentation of a sufficient amount of gold at the Mints for coinage. Also bar gold could be bought by the Mints for coinage, whenever the operation could be effected remuneratively.

- 11. But here a question arises as to whether the standard value of the fifteen-rupee or ten-rupee gold piece as fixed by Act XVII of 1835 is, or is not, perfectly applicable to the present time and to the immediate future. The Currency Commission indeed declared in paragraphs 26 and 27 of their report that
- "the Commission would draw attention to the fact that the price of the gold mohur or Government piece of Rs 15, as fixed by Act XVII of 1835, is as nearly as possible the average market rate of the price of coined gold of the present day. That price, as sanctioned by law in 1835, seems to be the legitimate basis on which to found a gold legal tender coinage for India, consisting of pieces of Rs 10 and 5 respectively, the ten-rupce piece having the weight of 120 grains, the five-rupce piece of 60 grains'
- 12. But since 1866, when the evidence submitted by the Commission was taken, gold has at times rise in value, and the tendency of gold to rise in value remarked by Sir William Mansfield in 1864 has somewhat further declared itself since that date. Consequently, there may be room for doubt whether, if gold pieces were now to be coined, the standard value as fixed in Act XVII of 1835, or some other standard, should be adopted. This is an important point to which the Government of India would specially ask the attention of the Government of (Bengal, Madras, Bombay), and of any gentlemen whose advice may be sought for.
- 13 I am to add that at present the Government of India is hardly prepared to recommend the declaration of any gold coins as legal tender. As at present advised, it would prefer to wait and see whether the adoption of the tentative measures brought under consideration in this despatch shall be found practicable, and whether, if adopted, they realized the anticipations that might be formed of them.
- 14. But if it be considered that, for any special reasons, legal tender should be at once recommended, then such reasons can be urged either by the Government of (Bengal, Madias, Bombay), or by those who may be consulted.
- 15 The two main questions now proposed—namely, 1st, at what late, as equivalent in rupees, should English and Australian sovereigns be taken at the public treasuries, 2nd, at what standard value should ten-rupee gold pieces be coined, supposing such coinage were resolved upon—are in some respects connected with each other, and to them the Government of India would invite early though careful attention

PS for letter to Government of Bengal -The Secretary to the Bank

of Bengal has been consulted direct by this Government, and has been furnished with a copy of this letter The Government of Bengal will, however, no doubt consult with Mr Dickson directly

From G H M BATTEN, Esq. Under-Secretary to the Government of India, Financial Department to the Secretary to the Bank of Bengal -No. 767 dated 30th June 1868

I am directed to forward the accompanying copy of a despatch to the Government of Bengal, on the subject of the introduction of a Gold Currency into India, and to request an expression of your opinion on the points noted therein

From George Diokson Esq. Seey and Treasurer, Bank of Bengal to the Hon Sir Richard Temple,—Dated 10th Angust 1868

Again apologizing for the delay which has unavoidably taken place in replying to your favour of 2nd July I now take up the several points adverted to therein pas .—

I To get sovereigns into the country in large quantities by raising the rate from Rs 10 to Rs 10-4 or even higher - As the proposed men sure offers a direct advantage to the importer, it is decidedly prefer able to the indirect method of attaining the same object by the imposition of additional restrictions on the importation of silver as it is contemplated to introduce the measure as a tentative and experi mental one only without declaring sovereigns legal tender I am of opinion that its success will in consequence be slower and more doubtful So long as sovereigns command as they do nt present a higher price than that which it is proposed to fix, it is quite certain that they will not find their way into the Government treasuries; but the present state of things is I think entirely exceptional and the market will ere long return to its normal condition The subject must be discussed, therefore, not in relation to the existing state of matters, but with reference to the experience of a series of years. At the same time I do not think that it would be safe to be guided altogether by the price of gold during the few years ending in 1501, when it was imported in increasing quantities to meet the adverso balance of trade caused by high priced cotton exports to England,

The latest quotation for sovereigns in this market is Rs 10 11 6 which gives the value of an ounce of silver laid down in Calcutta at 4, 114 8d but the average price for the first six months of 1868 is R 10 10 2 only indicating the price of bar silver at 5, 04 321d. For

1867, the we were not each the coverign as Rs. In 7-6, and of gold, 24 south for Rs. In-7-7. I don't the mean were read the last 83 years and in Jan. The parall the exercism in Cabintaire Rs. 10-2-4, and of far, Mof 24 cost the Rs. Its in the minutes the value of an onnee of select the early in the

Solice to ther webs what remaining to India than gold from Actor's, there to that you that India will not receive any considerable so district the Later setal.

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of the transfer of exercise the knowledge of problem to the first of t

H. Pro hair Sir William Man field, in his Minute of 5th March 1861, with ----

To the Boundary of the regular strater, the detect of the solid to be equal to be the terms of the solid testing testing the solid testing testing the solid testing testing the solid testing t

Thin I, to i, the energy of even it Is due, we arrive at the mean average relative value of R 10-1-1.

I would, however, derive to govern myself, by stating that so long as gold a not legal tender in India, it must of necessity be subject to the same fluctuations in value as all ordinary mercantile commodities are, under the universal law of supply and demand.

Is it reasonable, then, to assume that it will pay the importer to part with his gold at the proposed fixed rating of Rs 10 1-0?

By withholding the decliration of legal tender, and owing to a not improbable apprehension that, on the slightest fall in the value of the metal, Government may be induced to resemble the resolution of rating at Rs 10-1-0, the importation of gold will not be so free and certain, except under very exceptional circumstances similar to those which occurred during high prices of cotton, when gold was imported in place of general merchandise, the demand for which was at that time unequal to maintain the balance of trade.

The netion taken by Government in 1852 of prohibiting the receipt of gold moliurs into the treasuries in payment of public dues, has left an unfavorable impression on the public, and they will haidly be disposed

to place greater confidence in similar measures now, and so long as the balance of trade between this country and longland can be adjusted with more certainty by the bills of the Secretary of State, Government securatios, and bills of exchange, the importer will not subject himself to the rak of loss arising out of the possible action of Government.

To this it may be answered that Government will not after the proposed rating withent giving a few months' public netice in the Gasette Such a modification would doubtless tend to mitigate the evils inherent in the proposed measure and I do not think that Gevernment could run much risk of loss in the event of large importations and payments being made into the public treasuries should the proce of gold fall below the proposed rating of Rs 10-4-0. Inconvenience to Government can be averted to a great extent, first, by availing of the clause in the Chirency Act which admits of the reserve in coin being held in the proportion of one-fourth of gold to three fourths of silver and (secondly) by remittances to England in communication with the Secretary of Sinte, should the gold receipts inconveniently increase.

In September 1865 the Government of India transmitted to England £180 000 in sovereigns which after deducting freight and insurance yielded at the rate of 1s 11½ 00d per rupee against 1s 11¼d, the then average selling rate of the Secretary of State on the general Treasury But in 1866, when the bills of the Secretary of State were unsaleable at 1s 10d on Calcutta, and at 1s 10¼d on Bombay, the Government of India remitted in sovereigns and gold hullion Rs 22,88,730, which, with freight and insurance added, brought the amount nominally to Rs. 22 92 003, the outturn of which yielded £921 034 2-8, equal to an exchange per rupee of 1s 11 20d. In the manner, and inclinding freight and insurance Rs 51,37 509 15 1 in silver bars were sent to England in the same year and the outturn was equal to 1s 10 13d.

Altheugh I would prefer the sovereign being made legal tender at the proposed rating of Rs 10 4-0 along with the concurrent circulation of an Indian coin of 120 grains as the equivalent of Rs 10 I am of opinion that the proposed rating at Rs 10 4 0, without making the sovereign legal tender, would be a safe measure on the whele, and a great improvement on the existing state of matters

II To ob ain permission from the Secretary of State to coin 10 rapes gold pieces at or about the standard of 1835—I have goes ever the Ga ette containing the several netifications connected with the colonge of gold and I cannot discover that Act XVII of 1835 (see Gazette of 19th August 1935, page 602)—which permits the coinage of (1) a gold

mohur of Rs 15, weight 180 grains troy, 11-12 parts fine, (2) a five-rupee piece equal to a third of a mohur, (3) a ten-rupee piece equal to two-thirds of a mohur; (1) a thirty-rupee piece or double goldmohur of the same standard—has been repealed

In 1811, officers in charge of treasures were authorized to receive gold coins issued in conformity with Act XVII of 1835 until they shall have passed the limits of lightness allowed for wear. But on 22nd December 1852, it was notified that after 1st January 1853 no gold coins shall be received on account of payments due, or to be made to Government at any public treasury within the territories of the East India Company. It therefore appears to me that the sanction of the Secretary of State is not indispensably necessary, unless it is proposed to after the existing value, which, I submit, it is not expedient to do.

III. When we get the sovereigns from abroad, to send them to the Mint for re-coinage in 10-rapee gold pieces, to get for coinage as above, bar gold and various sorts of gold bullion—The coinage of an Indian gold sovereign, which will be an exact multiple of the rupee, is highly desirable, even should English sovereigns be rated and received as Rs 10-4. As the value of all commodities, transactions, obligations, and contracts will continue to be expressed in rupees even should gold become the standard, the facility of conversion from one denomination to another is of the first importance, and gold pieces representing the value of Rs. 10 will be readily preferred to the sovereign valued at Rs 10-4

IV. When we shall have succeeded in getting sufficient quantities of 10-rupee gold pieces and sovereigns into circulation, to go up to the Secretary of State with a really strong case for legal tender, the 10-rupee gold pieces at par and the sovereign at Rs 10-4, or whatever rate may be fixed—In treating of the first question, I have pointed out the probable difficulty of both obtaining an abundant supply of gold, and putting gold coins into circulation to any great extent, so long as uncertain or optional value attaches to that metal under the proposed fluctuating rating. In other respects, I most fully concur in the expediency of the measure proposed for adoption

V To see whether the 10-rupee gold piece will not drive out the sovereign and acquire such a position as to be made not only legal tender, but the sole standard, reducing silver to a token status—It is very probable that the 10-rupee gold piece will be much more popular and more generally used in the daily transactions of business than the sovereign, and the course indicated of declaring it legal tender, on a certain con-

tingency happening, will, I venture to think, be hailed by the public generally as a great hoon

Having heefly adverted to the several points raised in your letter, I would respectfully submit—

- (1) That it is safer for Government to value the sovereign at Rs. 10 4 than at a higher rating since it is not to be declared legal tender at once. Besides a higher rating than Rs 10-4 would render necessary a re-adjustment of the Indian gold piece of 120 grains, masmuch as it would be worth more than Rs. 10
- (2) That the high prices at which sovereigns and bar gold have been selling for some time past are referable not to an actual rise in the value of gold relative to aliver, but to an exceptionably low rate of exchange which practically shats out gold from our market. Sovereigns have been sought eagerly by persons returning to England, or by those who intend to travel on the continent, and who prefer to pay a smart premium on sovereigns to a heavier loss in exchange on hills on London or on circular notes.

So soon as the rate of exchange returns to its normal condition (see necompanying table with rates of exchange anno 1898), I think it probable that advantage will be taken of the facilities proposed to be afford to the importer of gold, and that it will find its way in considerable quantities under the rating of Rs. 10-4

Lastly, I am of opinion that the present is a favorable opportunity for fixing the value of the sovereign relative to the rupee at Rs. 10-4, as it could not be said that it would injuriously affect either public or private creditors and because it would have the affect of checking the depreciation in the value of gold beyond the point assigned by notification, when a reaction does take place

Generally the measure proposed is emiaently safe as a tentative and experimental one and if successful is calculated to lend to the in auguration of a larger and more important change in our currency Should it on the other hand, centrary to expectation, prove to be a source of inconvenience through a redundant supply of gold, thereby indicating a considerable fall in its value relative to silver the probable loss arising on the remittance of the gold to England with a view to meet home dishursements is not likely to be of great moment when measured against the average rate obtained by the Secretary of State for bills on the Indian treasures

Along with this you will receive the following enclosures, viz -

- I. Table showing the actual market price of gold bullion and sovereigns in Calcutta, in continuation of former returns between January 1863 and June 1868
- II Table of average rates of exchange between Calcutta and London in the several months of each year from January 1838 to 31st December 1866, with rates of interest charged by the Bank of England and the Bank of Bengal.
- III. Minutes of Evidence given before the Select Committee appointed to enquire into the cause of the high price of bulhon, 20th March 1810, by the King's Assay Master of the Mint and by Dr Kelly, setting forth the relative value between gold and silver in England and foreign countries, according to actual assays

If in any way I can be of further service, you will find me ready at any time to do all I can. Meantime, believe me, &c.

Table showing the actual market price of gold bullion and sovereigns in Calentta from 1863 to 1865

		19	63.	18	6L	1	MX.
щохтив.		Gold 24 Carata.	Sovereigna	Gold \$4 Carata	Boyersigna,	Gold 25 Carats.	Soverelgus.
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Table showing the actual market price of gold bullion and sovereigns in Culcutta from 1866 to 1868

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Average rates of Exchange Calcutta on London for 8 months sight bills also Bank of England and Bank of Bengal rates of discount for the under-mentioned years

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Average rates of Exchange Calcutta on London for 6 months' sight bills—also Bank of England and Bank of Bengal rates of discount for the under-mentioned years,—continued

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1852	2 0.32	2	Б	2 0 06	2	5	2 112	2	5	2	0-79	2	Б
1858	2 142	3	4	2 187	21/2	4	2 098	21	4	2	1 01	2}	4
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Average rates of Exchange Calentia on London for six months' sight billoalso Bank of England and Bank of Bengal rates of discount for the years 1856 to 1866 inclusive

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Average rates of Exchange Calcutta on London for six months' sight bills—also Bank of England and Bank of Bengal rates of discount for the years 1856 to 1866 inclusive,—continued

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Average rates of Exchange Calcutta on London for six months' sight bills also Bank of England and Bank of Bengal rates of discount for the years 1856 to 1866 inclusive,—continued

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Average rates of Evchange Calcutta on London for six months' sight bills—also Bank of England and Bank of Bengal rates of discount for the years 1856 to 1866 inclusive,—continued

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Minutes of Evidence given before the Select Committee appointed to enquire into the cause of the high price of Bullion 20th March 1810, by the King's Assay Master of the Mint, and by Dr Kelly setting forth the relative value between gold and silver in England and Foreign Conntries according to actual assays

What information can you give the Committee respecting the relative value of gold and silver in the coins of foreign countries, as ascer tained by any assays that may have been made for this purpose? I am not aware of any variation in the relative quantity and fineness of gold and silver in the coins of foreign countries, since the tables published by the late Earl of Laverpool, in his letter to the King apon coin, which tables are considered as accurate, except in the instance of the new regulations in the Paris Mint in 1803 or 1804, by which the proportion of gold to silver was established at 15½ to one, they having before been in the proportion of 15½ to one.

Have you by actual assay ascertained that the proportions established by the regulations of the mints of foreign countries are actually preserved in the coins of such countries? They are not accurately preserved, on account of what is called the remedy or allowance for fallibility of workmanship taken in foreign mints. By an actual assay of the gold coin of France I have found that instead of being as 15½ the proportion was 15 4 % to one by the mint regulation of Amsterdam, gold is to silver as 147_{00} to one, by the assay 147_{00} to one. In Spain, the mint regulations are in the proportion of 16 to one, I have found by actual assay the state of doubloops of 1772 is as 157_{00} to one and according to doubloops of 1801 assays are as 167_{00} to one

Will there not be frequently a little alteration, in taking coins that are minted at different times at the same mint under the same regulations? Ites no doubt of it but in no country is the standard preserved with such accuracy as in England

What is now the proportionate rate of gold and silver in Europe?— The proportionate rate of silver to gold in this country is 15 2006 to one

In the account of gold and silver coined at the mint since 1707, &c. ordered by the House of Commons, the 20th of February 1810, it is stated from the mint, that three or four hundred thousand pounds of gold has been coined on an average in the last mine or ten years; has any part of that coinage consisted of guineas? No it consisted of half guineas and even shilling pieces

Did the two to three millions coined in each of the years 1797 and 1798 consist of gnineas? Principally of gumeas.

Can you state the fineness and weight of the Russian coms? The Russian imperial of 1772 weighs 8 pennyweights and cleven grains, being a gold com; worse than standard a quarter of a carat grain, which equals fifteen troy grains. The half imperial 1780 weighs four pennyweights 2½ grains, the same fineness as the last. The Russian duent of the year 1796 weighs 2 pennyweights six grains, and is better than standard one carat 2½ grains. The half duent 1785 one pennyweight 11½ grains, worse half a grain. The gold ruble of 1779 18% grains, worse one quarter of a carat grain; the half ruble of 1777 weighs inne grains, and is standard of this country. The silver ruble of 1802, 13 pennyweights one grain and a half, and is worse than the standard thinteen pennyweights in the pound. The half ruble of 1804 weighs 6 pennyweights thirteen grains and a half, and is worse fourteen pennyweights.

You have no ruble of earlier years? No, I have not.

Have you made any assays upon the coins of the United States of America? Yes, I have tried several of them, the American proportions are 15 to one, and according to their actual coins $15 \frac{1}{100}$. The eagle weighs 5 pennyweights and fifteen grains.

Dr Kelly called in, and examined.

Have you turned your attention to the subject of the currencies of the different states of Europe, and to the course of exchange between Great Britain and foreign countries? I have for many years

What, according to the mint regulations of foreign countries, is the proportion of fine gold to that of silver in their respective coins, and what would be the par of exchange of each of those countries with England, calculating upon a comparison of our coins, according to the mint regulations of this country, with the coins of those countries? The table which I now present to the Committee, I believe, will shew those proportions, as also the variation between the proportion established by the mint regulations of foreign countries, and the actual proportion as ascertained by assays recently made for me at His Majesty's mint; it will also shew what I conceive to be the intrinsic par of exchange between the countries therein enumerated and England, gold against gold and silver against silver, both as that par stands according to the mint regulations and according to the assays above mentioned.

Relative value between gold and eiter in England and in foreign countries, according to their respective mint regulations and according to assays by Dr Kelly

Excland The relative value between gold and silver in England is

15 13530 or 15 13 to one making no allowance for remedy,
which by the trials of the pix has never been taken.

Ansterdam The relative value of those metals cannot be permanently determined, because the current value of the gold is not fixed Taking the ducat at five guilders five stivers, the price which it most commonly bore the proportion is 14 $\frac{1}{10}$ to one according to the mint regulations and 14 $\frac{6}{10}$ to one, according to assays

Hampunou The relative value between gold and alver cannot be fixed here, for the same reasons as m Amsterdam, the price both of gold in currency and silver coin m banco being variable, but taking the mean prices as follows 6 marcs banco per gold ducat, and 27th marks banco per Cologne mark of fine silver, the proportion will then be as 14 fine to one.

Paris. (Old system) 15 to one, per mint regulations allowing for the remedy which was considerable, and of which the coiners fully availed themselves

Per assays 15 to one.

(New system) 15 155 to one, according to mint regulations without allowance for remedy

Per amoya 15 100 to one.

Capiz, &c. Sixteen to one by mint regulations without the remedy

Per manys { 15 \frac{86}{100} \text{ to one (by donbloons of 1772)} \\ 16 \frac{45}{100} \text{ to one (by doubloons of 1801)}

I tenox 15 7 to one per regulations
15 100 to one per assays

NAPLES 14 15 to one per regulations

14 75 to one per assays

Grada 15 100 to one per regulations
15 100 per necrys

Lighton 14 63 to one per regulations.

 $14\frac{32}{100}$ to one per assays

VENICE $14\frac{88}{100}$ to one per regulations.

 $14\frac{32}{100}$ to one per assays

The reports here of the silver coins vary considerably, and have undergone several depreciations of late years.

Palermo Fifteen to one, per assays

America Fifteen to one, very nearly, per regulations, without allowance for remedy

 $15\frac{94}{100}$ to one per assays

From the Hon'ble M J Shaw-Stewart, Acting Chief Secretary to the Government of Bombay, to the Secretary to the Government of India, Financial Department, No. 23, dated 14th September 1868

The opinion of the gentlemen named in the maigin having been Hon'ble Colonel W F Marriott Hon'ble Mr Munguldass Nathoobhoy J. Stuart, Esq George Foggo, Esq iect of your lefter No. 766.

dated the 30th June last, I am directed to submit copies of their replies.

- 2 It will be noticed that the proposed postponement for the present of any declaration of gold as legal tender is generally regretted Mr Hector considers that without such a declaration the introduction of gold into actual currency is impossible, he argues from the failure that followed the previous attempt to introduce sovereigns, and the accumulation of gold in the public treasures that followed, and the same views are stated in another form by Colonel Marriott, and are expressed more or less strongly by all the gentlemen who have been consulted. It will be observed that Colonel Marriott has by strict logical demonstration arrived at the same conclusion
- 3. Mr John Stuart, whose experience entitles his opinion to much weight, thinks that the failure of the former experiment was partly due to the very unfavorable state of the exchange at the time, but it will be observed that he also insists on the importance of the gold coinage being made a legal tender
- 4 The papers now submitted appear to this Government to render it unnecessary to offer any lengthy remarks or to add to the voluminous correspondence on the subject that is already on record. The Governor in Council will therefore briefly state his opinion on the points raised in your letter.

- 5 His Excellency in Council, while he thinks that it would be desir able to introduce a gold currency into India, is yet of opinion that any attempt to circulate the gold counage by making it a legal tender as against Government, and not generally would be either unsuccessful or financially injurious and is therefore unable to suggest any answer to the first question propounded in your letter, as no rate can be fixed on any satisfactory principle for the one-sided measure of receiving sovereigns at the public treasures. Unless such rate apply also to their receive, it must be arbitrary and dangerous
- 6 His Excellency in Council would therefore recommend the introduction of an Indian gold comage consisting of pieces of 15 10, and perhaps 5 rupees, respectively, and of the standard value fixed by Act XVII of 1835, and that this comage be declared, like silver, a legal tender without limitation. Sovereigns should at the same time be recaved at all Government treasures and Currency Offices, at a rate to be fixed with reference to their market value, but unalterable except after sufficiently long notice to prevent inconvenience and less to the public.
- 7 The Governor in Council does not consider that the objections made to what is termed a 'double standard are fatal to its adoption. If, by an increase in the relative value of gold, the Indian gold coinage is exported, we shall be no worse off than we are now and if the silver coinage in circulation decreases, it is no more than will inevitably happen as soon as the general introduction of gold is accomplished.
- 8 It will be for after consideration whether a limitation should be put on the amount up to which silver coins are to be legal tender

From J Hector Esq to the Acting Chief Secretary to the Government of Bombay, Financial Department dated 18th August 1808

I have the honor to acknowledge the receipt of your letter dated 24th ultime No 1100 of 1808, enclosing copy of despatch from the Government of India, and in compliance with your request, I beg to submit the following observations on the proposals referred to therein, relative to the introduction of a gold currency into India.

The following I understand to be the chief points on which opinion is invited --

1 Whether English sovereigns and Australian sovereigns (should, or) can be introduced into the currency of India at an equivalent of Rs 10 of the present silver coinage?

- 2. If the equivalent of Rs 10 be too low, at what rate, as equivalent in supers, should English and Australian sovereigns be taken at the public treasures?
- 3 At what rate should Rs. 10 gold pieces be coined, supposing such coinage were resolved upon?
- 4 The description and value of the gold coins having been decided, would it be desirable to declare those coins legal tender?
- 5. If desirable to make gold legal tender, should it be made the sole tender, or ought we to have a double standard of value consisting of gold and silver?

The first question, referring to the introduction of English and Australian sovereigns at an equivalent of Rs 10, may be set aside as impracticable, masmuch as sovereigns cannot be laid down in India at It is true that in 1864-65, when Government resolved to receive sovereigns in payment of dues at a par value of Rs 10, the result was a large accumulation of gold com in the public treasures, but the circumstances of those years were exceptional Commercial transactions were on an unprecedentedly large scale, requiring an increased circulating medium while the medium was deficient. Both in Calcutta and Bombay, but more particularly in the latter city, there was a great demand for money to pay for raw produce shipped to England were of no use to send to the interior, and gold was not a legal tender Colonel Ballard tells us that in Bombay, at the close of 1865, "the full amount of sovereigns allowed by law to be held in the Currency Department was received in a few days," and "the notes issued against the sovereigns were at once changed for rupees." Sovereigns having no currency value, and not being legal tender, Government could not 1e-1ssue them, and they were not asked for The demand was for silver money, and the pressure was only relieved by the importation of large quantities of silver from Calcutta and elsewhere After the means of relief came, however, sovereigns gradually recovered their normal market value, which by previous and subsequent experience both is proved to be greater It is worthy of notice that although sovereigns are still receivable at the Government treasures at the rate of Rs. 10, and although the Paper Currency Department may lawfully hold one-fourth of its whole coin and bullion reserves in gold, that Department, as appears from the latest published return which I have seen, dated 5th June 1868, does not hold a single sovereign against the paper issues, and the gold bullion reserved only amounts to Rs 1,47,495.

As it is clear, then, that the sovereign will not circulate as the equivalent of 10 silver rupees, that sum being less than its real value, we have to consider the two succeeding proposals, which are in a manner connected, referring to "the rate at which, as equivalent in rupees, Enghah and Australian sovereigns should be taken at the public treasures and 'the rate at which Rs 10 Indian gold pieces should be coined, supposing such coinage were resolved upon.'

With regard to these points it is not easy to arrive at a correct con clusion The price of the sovereign, as measured in silver, must be regulated at a figure high enough to induce the importation of goldbut not so high as to disturb the present standard of value or derange prices Whatever may be the rate fixed or decided upon, it is certain we cannot prevent the relative value of the two metals from flactuating to some extent in obedience to the ordinary laws of supply and demand but all that it seems needful to do at present is to ascertain, as nearly as possible, the price which gold has hitherto on the average commanded in the Indian markets, and to determine the rate at which it shall be received into the currency on this basis. In doing so I believe the safest plan will be to exclude English and Australian sovereigns from the calculation and to be guided by the average price of bar gold alone, the price of the sovereign being subject to fluctuations from temporary and extrancous causes which do not affect the price of rold in the form of bullion and I do not think we can do better in determining the average market value of gold, and the rate at which it can be brought in to form a part of the circulation than to adopt the decision of the Commissioners appointed to enquire into the working of the currency laws in 1800 The Commissioners, after collecting a vast mass of very valuable evidence on the subject from a variety of sources state in their report that the price of gold 'as fixed by Act AVII of 1835 seems to be the legitimate basis on which to found a gold legal tender comage for India, consisting of pieces of 10 and 5 rupees respectively' The provisions of that Act are still in force, but they appear to have been rendered inoperative by the proclamation of 1852, prohibiting the receipt of gold coins in the treasures Lord Dalhouse s proclamation was usued at a time when there was apprehension in the minds of many that owing to the new and extensive discoveries of gold mines in Australia and California, the metal would fall in value The apprehension was perhaps not miniatural, but it has turned out to be incorrect. Instead of falling, the value of gold has shown a tendency to rise. The one danger it may be end, is as great as the other, but I venture to think that by retaining for the

present the silver rupee as an alternative legal tender, we shall be independent of any slight advance which may take place in the price of gold, and I incline to the opinion that this cause, combined with the fact that we shall be able to obtain a large proportion of the gold required by India from Australia, minus the difference between the cost of importing the metal from Australia direct and of the cost of sending it to England, there to be turned into silver for remittance to the East, or re-transmitted to the Continent for that purpose, will have the effect of maintaining the price of gold in the Indian market in equilibrio Further, it is well ascertained that there are enormous stores of gold hoarded in India, both in the shape of coin and bullion, ready to be brought out in case of emergency, if gold possessed a currency value, and this circumstance alone will act as a powerful regulator of the value of gold in this country It is highly probable that if Lord Dalhousie in 1852, instead of prohibiting the admission of gold into the Indian treasures, had adopted the policy pursued by Fiance and the United States under similar circumstances, and by declaring gold a legal tender had thereby opened a way for Government to dispose of the stock of gold which it was feared would accumulate in the treasuries, India would now have been enjoying the benefits of a gold currency On the whole, therefore, I would be in favor of coming Indian gold pieces of 10 and 5 tupees respectively, containing $\frac{1}{1}\frac{1}{2}$ or 110 grains of pure gold and $\frac{1}{12}$ or 10 grains alloy, giving them a currency value at these rates With regard to English and Australian sovereigns, I would give them a permissive value to circulate at the late which they might bear in lelation to the Indian com

This brings us to the next two points of enquiry, namely, "the description and value of the gold coins having been decided, would it be desirable to declare these coins legal tender," and "if desirable to make gold legal tender, should it be made the sole tender, or ought we to have a double standard of value consisting of gold and silver?"

Without hesitation, I would reply that if gold is to be introduced into the currency of India, it is not only desirable but necessary to make it legal tender. We have seen the effects of making English and Australian sovereigns receivable at the treasures at the rate of Rs 10 without at the same time declaring them legal tender, and re-issuable as such. Under a recurrence of the same circumstances which caused an accumulation of gold on the hands of Government in 1865, the same result, it is to be feared, would

follow, but in an aggravated form owing to the less intrinsic value of the coin under Act XVII, were gold pieces of the value prescribed by that Act to be received into the treasury, Government depriving itself of the power to re-usue them We have also seen that the public do not avail themselves of the provisions of the Act, which, be it remembered. are still in force, simply in consequence of the refusal of Government to receive gold into the treasures. The attitude of Government in this respect may be considered as tantamount in effect to the exclusion of gold from the currency The great body of the community, and more particularly the native portion, are so accustomed to look to Government to do everything for them that they are not likely to adopt any new measure or system unless Government lead the way To ensure success in the endeavour to introduce gold into the currency of the country, it is necessary, therefore that the new gold come should be readily received both at the public treasuries in payment of dues and at the Currency Department in exchange for notes but I repeat that this stop cannot be safely undertaken without at the same time providing for their subsequent disposal by declaring the coins legal tender For the protection of Government no less than for the sake of establishing regularity in the circulation of gold it is desirable even necessary, that it should be in vested with a fixed currency value I would not be favorable to extend ing the legal tender value to English and Australian sovereigns, but these as I have said, might be permitted to circulate at the rate which they might bear in relation to the Indian coin and they might in addi tion be receivable at the mint at a stated price for conversion into Indun money

It has been proposed to make gold the sole tender at once in place of silver but thus in my opinion, would be going a step too far. The present silver currency in India is I believe, estimated to be about Rs. 2 50 00 00 000 and to provide gold in substitution even of a moderate proportion of this enormous amount at one stride would it will readily be seen, so raise the price of gold not only in India, but in other markets as to make it unprofitable for remitters to import gold for coinage, and so the object to be attained would be defeated at its very commencement. I do not argue that the price might not ultimately fall to or near its original level but this would not happen for a long series of years the rise would last long enough to render abortive the attempt to give gold a place in our Indian circulation, and besides to declare gold the sole legal tender with so large an amount of silver coin already

in circulation, would not only be unnecessary, but positively unjust, and the results could not fail to prove equally disastrous to Government and the public. A gold comage must be introduced into India by slow degrees, and, for the present at least, it will be necessary to retain the silver rupce as an alternative standard of value, giving the option to the debtor of discharging his habilities in either coin. By this means gold will gradually recommend itself to favor, and ultimately become established as the sole standard of value to the exclusion of the bulkier and, proportionately to its intrinsic value, more expensive medium of silver Many objections have been raised to having a double standard, but the difficulties with which some suppose it to be beset are, I venture to submit, more fanciful than real. It is unavoidable in the present case

Another proposal has lately come before the public, and perhaps is deserving of a passing attention if only to show the fallacy of the principle on which it is based. The proposal to which I refer is to introduce the English system in its integrity, giving the English sovereign of 123,274 grains a legal tender value at Rs. 10, and coining Indian sovereigns of the same weight and fineness to circulate at the same rate. Gold would be made the sole tender, and the silver rupee would be reduced to a mere token coin. For the accomplishment of these objects it is proposed to make the importation of gold compulsory by imposing an additional seignorage of 2 per cent on silver. The proposal is open to objection on the following grounds:—

It involves an interference with the present standard of value in its relation to other commodities, a very dangerous proceeding

It would introduce rupees of a lower intrinsic value to circulate with the existing silver currency, which bears a higher intrinsic value

It would throw the burden of the circulation on gold, which step, as we have seen, would have the effect of raising the price of gold both in India and other markets, to such an extent as to make it unprofitable to import gold for coinage, and not only would it do this, but

It would endeavour to compel the English sovereign and an Indian sovereign of equal value and weight to circulate at the equivalent of Rs 10 of the new silver coinage, although it has been proved that the sovereign cannot be purchased for Rs. 10 of our present silver currency, which is of greater intrinsic value than coin that will have paid the increased seignorage

The effect would plantly be to make the exclusion of gold from the circulation more complete than by any other possible means that conid be contrived, and to throw the whole monetary system of the country into a state of hopeless confusion

A few years ago the introduction of gold, either in substitution of, or in addition to, the existing silver currency, was loudly demanded, on the ground that the price of silver had risen all over the world, and was still rising in consequence of the heavy drain of silver to the East. The annual produce of silver throughout the world was computed at £10 000 000 only while the average annual imports of the metal into India alone during the six years caded 1864 were £11,500,000, and in 1863 no less than £14,500,000.

At this rate, and if no increased production of silver had taken place, the demand for the requirements of India alone would have exhausted to a great extent the stock available in other countries raising the price indefinitely and so entailing a loss of unknown magnitude on the importer besides causing great injury to the trade and industry of the country At the same time the public debt and all standing contracts would have been increased exactly in proportion to the rise in the price of silver. No stronger argument could, I imagine, be adduced to show the folly of overlooking the fact that a contract entered into for the discharge of debt is not a contract for payment of a particular quantity of a particular commodity (may gold or salver) regardless of the cost of obtaining that commodity at the time of payment, but a contract for value regulated by the prices of all commodities which in turn are regulated by the cost of production and the demand existing for the commoditios. Fortunitely the price of silver has not increased to the extent that was anticipated and the evils referred to have been averted. The importation of silver was again great in 1865 66 but during the last two years, owing to a falling off in the export trade, the imports have been considerably dimi nished, and the discovery or new silver mines in the Sierra Navada has further tended to prevent the price of silver from rising beyond its ordinary level. But this is no reason for our adhering to the old and wasteful system of a silver currency and excluding the cheaper medium of gold. The introduction of gold to a place in the currency is demand ed on the grounds of convenience and economy no less with reference to our commercial dealings with other nations than in the interests of the internal trade of the country

There is one other consideration to which I would take the liberty of adverting, namely, the assistance which the addition of gold would afford to facilitate and extend the circulation of the currency note. Government notes at present outstanding are principally held in the reserves of bankers in the Government treasures and by native capitalists within the Presidency towns, the advantages of a paper circulation are not yet fully appreciated by the body of the people, a circumstance no doubt accounted for in a great measure by the unwillingness of the natives to accept as a representative of value that which has no intrinsic value of its own, but owing also, in no small degree, to the note not being more generally convertible than it is. Government have not the same facilities for distributing their currency reserves where and when required as a bank would have, and in event of an extraordinary demand for com in exchange for notes occurring at any of the head centies of issue in the interior beyond the reserve held in coin, necessitating the sale of securities, there being no market for these securities in the interior, Government would have to effect a sale at one of the three Presidency towns and transmit coin thence to strengthen their reserve at the point where it was required. It is therefore an object with Government to be able to move specie from one place to another at the least possible cost and least possible risk, and in this view gold possesses many advantages over silver.

The same argument applies with nearly equal force to the treasury balances

In the event of its being determined to amalgamate some of the existing circles of issue and make the note of each circle convertible over a wider extent of territory, the superior advantages of gold would be still more perceptible, and I further venture to remark that until some measure of the kind is introduced, the note circulation will never reach the dimensions which otherwise it might be expected to assume

I must ask the favor of your understanding that what I have here expressed on the subject of a gold currency are my individual opinions, and must not be taken as proceeding from the bank which I am privileged to represent in this Piesidency

I regret that illness has prevented me from replying to your letter sooner.

From Colonel W. F. Marriott, to the Acting Chief Secretary to the Government of Bombay, dated 27th August 1808

I have the honor to acknowledge the receipt of your letter No 1100 of 24th July last, inviting my opinion on the questions stated in the letter from the Government of India, No 766 of 30th June last in relation to the introduction of a gold currency into India. Those questions are principally—

let —At what rate, as equivalent in rupees, should English and Australian sovereigns be taken at the public treasures,

2xd —At what standard value should 10-rupce gold pieces be couned? It is added that the Government of India is hardly prepared to recommend the declaration of any gold coins as a legal tender, but does not exclude discussion of that measure.

- Before replying to the specific questions, I will briefly review the general question as it appears to me.
- 3 First, it is well to define the general purpose. The purpose mdi cated is the encouragement and facilitation of the circulation of sovereigns and other gold pieces But is this the principal purpose? What are the advantages looked for from coming gold? Is it principally the convenience of carrying and using a gold piece in place of fifteen times the weight and more than fifteen times the bulk in silver? or is it the enabling the holders of gold to use it readily for exchange purposes, the enabling the Government to issue notes against gold the enabling the holders of gold in a time of pressure to make all their gold readily avail able as a means of payment and the convenience of eventually having the same standard as most other great trading nations have or tend to? The answer to this is fundamental because only for the first of the above stated purposes can the introduction of gold pieces, which are not a legal tender be efficacious whilst for all the other purposes, it seems to me that the introduction of gold come of which the acceptance is optional, must be mefficacious because excepting for small transactions, the gold coms would be as uncertain in exchange value as gold hullion. In a time of great deficiency of money the power of creditors to refuse gold would depreciate the gold come as much as it would gold bullion.

Moreover even for the first purpose the scheme might be wholly inefficacious, as being likely to fail altogether to introduce the gold into circulation because if it were worth more than its nominal value, it

would not be paid; if less, it would not be received; and only if the relative value of gold and silver should remain nearly constant would it come into use for mere convenience.

- 4. To state the inference from the foregoing remarks briefly, the right to use gold as money is of much more importance than the actual current use of it.
- 5. There is another part of the purpose which requires definition. Is it the substitution of gold for silver or the use of both which we immediately desire? (I say immediately, because gold being intrinsically a more convenient metal for use as coin, its ultimate substitution is desirable.) It may aid illustration if the matter be stated in an ideal manner. If the relative value of gold and silver were unchangeable, what should we propose? Would it be to coin both unrestrictedly? or would it be to cease the coinage of silver and substitute gold? An answer to this goes a long way to answer the whole practical question
- 6. Some might uige that now to coin both unrestrictedly would be inequitable in operation, because it would depreciate money by multiplying the things which serve as money, and that the second course is the only admissible one, because (on the hypothesis of an unchangeable relation of gold and silver) the value of money is not altered. This argument is plausible but it is one which is equally good against the issue of bank notes beyond the bullion locked up to meet them, and against any legislative action which facilitates operations by credit. On the whole society gains by the increased facilities of exchange which additional quantities of things perfectly performing the function of money give, whilst the effect upon prices, i e, on the value of money, is so gradual as to be no countervailing objection. Moreover, with an expanding trade, an increased quantity of money or of things which serve as money is necessary to keep the value of money comparatively equable
- 7 Of course, even on the hypothesis of an unchangeable relation of value of gold and silver, gold would be the more convenient coin, and there would be a tendency to exchange silver for it, which tendency might at last reduce the current silver coinage to the quantity needed

^{*} It may be noted, however, that a rise in the value of gold would not drive the gold pieces wholly out of calculation if a general consent to take them at their real value instead of their nominal value should arise. For instance, the depreciated paper money in Austria did not wholly throw the silver florin out of circulation, because this was everywhere accepted without dispute as worth more than a nominal florin

for payment of fractions of the gold unit. At this point the Government might interfere, and save much trouble, by substituting a corresponding quantity of a silver token comage. But such restriction of silver comage is a need not arising out of any inconvenience in having two motals, but out of the fact of one being a more convenient one than the other (The importance of this durinction will be seen presently)

The day when silver coin can be dispensed with in India, excepting for payment of fractions of the gold piece, must, probably, be far distant, because, apparently, it is only by a very general use of bank notes, cheques, and bills as money that the quantity of metallic coin needed for current use can be so restricted as to allow of it being all provided in gold.

- 8 I conceive that in the ideal case of an absolutely unchangeable relation of gold and silver, the proper function of Government would be to make both available as money, leaving the substitution of one for the other to be effected, if at all, by what may be called the natural operation of convenience. I do not think that the actual case of variableness of relative value of gold and silver affects the propose general purpose.
- 9 Hence to my previous conclusion that the ability to use the gold is of more importance than the actual current use of it, I add this other, that the immediate purpose should be the free use of both gold and silver as money
 - 10 To the foregoing inference I naticipate two objections -

1st—That variation of relative value will prevent the free use of both metals

2nd —That the plan incurs the evils of a double standard. *

11 In statement of the first objection it will be said that the two metals would be comed at first at as nearly their exact relative value as possible. Only so long as this endures would both be current, after a time the gold either rises or falls in value. If it rise if, for instance, a

[•] I use the term Double Standard, as I believe it to be ordinarily used, to mean two metals accepted for coinage on equal terms and, therefore, each free, so to speak, to become the standard. I state this because Colonel Bullard in a recent and reliable track on this subject has used the term differently and hea, as it seems to me, thereby obscured his intention. He defines it to mean that gold and alter coins are both a legal tender of payment to any amount. Consequently he rilli calls it a Double Standard in the tryposed case of a silver coinage restricted in quantity and ruleed by seignorage to a value considerably in excess of its intrincio value.

given weight coined at fifteen half times the value of the same weight in silver becomes worth sixteen times the weight in silver, no one will readily pay gold. The tendency will be to buy silver with it, and to take that silver to the mint for coinage. Conversely, if the gold should fall in value, no one would readily pay silver, but would rather buy gold for coinage. I reply that in the first case of unreadiness to pay gold, at worst, no one has either lost or gained, and things remain nearly as they were. In the second case of unreadiness to pay silver, there is a perpetual tendency to change the money from silver to gold without appreciable loss to any one and with convenience to all.

I say that, at the worst, in the first case, no one has either lost or gained. In reality, in both cases, society has gained some of the greatest advantages. The ability to use the gold is the great matter. That remains potent in enlarging the mercantile resources, though it may be in little current use, and its effects be only exhibited indirectly.

of a double standard. It seems to me that these are very small, mostly consisting in the negative evil of not having all the coinage in the most convenient metal. In Colonel Ballard's tract I see the evil declared excessive, and described as follows. That the proportion of gold and silver entering for coinage does not depend on public convenience, but on the operation of the dealers in bullion, who are obliged, out of self-interest, to import the metal which affords the greatest profit at the mint; and that the whole coinage may be changed from silver to gold and from gold to silver with every fluctuation of the value of those metals.

But, what is the evil of this? The first statement, reduced to its simplest terms, is only that the proportion of gold and silver does not depend upon convenience as coin, but on the greater relative value of one or the other when coined. I see no evil in this, except the hability to have less gold than mere convenience would require, an evil at least less than having no gold at all. The other statement of the hability to change the whole coinage from gold to silver and silver to gold with every fluctuation is only a rather exaggerated way of stating the results of the previous operation. The fluctuation in the quantities of gold and silver is a less evil than having only the use of silver. Hence the significance of the distinction previously noted, that the eventually desirable restriction of silver coinage is not a need arising out of any inconvenience in having two metals, but out of the fact that one is more

convenient than the other In other words, a double standard is not an important inconvenience. It is better than a single coinage of silver; and so far from being an objection to any particular scheme for introducing gold, it appears to be the only effective means for introducing it without an arbitrary alteration of the existing standard

13 I will now state all the courses that occur to me as open to

lst —To come gold pieces at their exact relative value to silver as nearly as determinable, making them a legal tender

 $2\pi d$ —As above, only not making the gold a legal tender, the Gov ernment also accepting sovereigns at their corresponding value

3rd — The acceptance of sovereigns and the coinage of gold pieces at something less than their true relative value to silver, in order to give the gold pieces an advantage, but without making them a legal tender

444 —To declare a sovereign 10 rupecs and to coin gold 10 rupec pieces of exactly the same value, and to ruse the value of the silver rupec to the tenth part of the sovereign by a heavy seignoringe, making both gold and silver legal tenders

5th -The same as the foregoing, with the addition of a restriction on the quantity of the silver comage

6th —To declare a sovereign to be 10 rupees, and to raise the value of the silver rupee to the tenth of a sovereign by sotually coming it of greater weight the State undertaking to give either gold or the new silver rupees for the old rupees.

14 The last stated scheme has advantages which make it worth while to state it though I regard the incidental difficulties and inconvenience as completely fatal to it. The enormous quantity of the old rupees the consequent difficulty of calling them in, the extent to which the existing rupees is used as a measure of weight the confusion of men's minds about the particular operation in regard to prices and to debts these objections are too great; besides that, after all the large and costly transaction might be rendered useless by a rise in the price of gold

15 The 5th course above stated is essentially that which is recommended by Colonel Ballard only he diaguises its real character. It is as revolutionary as the 6th course above noticed. It would require at once

all the advantages of a single gold standard and a gold currency, for which it pays the price of altering the value of the rupee and restricting the use of silver as money

The alteration of the value of the rupee would be paid generally by debtors in favor of creditors; and if this were all, considering how small the tax would be, how much it would be modified in operation by most men being (in the general sense here indicated) creditors as well as debtors, how soon prices would adjust themselves, and how soon the whole perceptible effect would dwindle away, -it might well be paid as no more unequal than any other tax But the character of the transaction in arbitrarily altering the value of the standard coin is a very serious objection, not to be set aside wholly by the fact that the alteration is The artificial restriction of the use of silver as money is a still more questionable part of the price paid for the convenience of gold. It is a part absolutely necessary to make success in the introduction of gold quite certain, by pieventing the exclusion of gold which would attend a rise in its value. But such a measure seems essentially improper, because it seems to me that the interest of the whole community at present requires the ability to use both all its gold and all its silver as money

- 16 The 4th plan, whilst avoiding the restriction of the use of silver, is open to the objection that it is an arbitrary alteration of the value of the rupee
- 17. The 2nd and 3rd courses are the only admissible alternatives implied in the Government's questions, which I here re-state
 - 1st—At what rate as equivalent in rupees should sovereigns be taken at the public treasures?
 - 2nd —At what standard value should 10-rupee gold pieces (which are not to be a legal tender) be coined?
- 18 It is, of course, certain that if Government offer to accept sovereigns at a low standard value, they will not get them, and if at a high value, they will not get rid of them, and if gold pieces be coined at a low standard value, people will not take them, and if at a high value, people will not readily part with them as money. Consequently, the expectation implied in the question is, that there is an intermediate value at which both the payer and receiver will be glad to use gold, notwithstanding the right to demand silver. The consideration which can make both willing must be convenience, not profit, because profit can only be to one.

It would seem, therefore, that the intermediate rate must be the exact relative value of gold to silver. And so it would necessarily be if that relative value were constant. But the likelihood of a change in that value raises the question of whether there be any point below the true relative value which will not cause a loss to entweigh the convenience, and which, therefore, will favor the use of gold as the cheaper coun with ont inducing on the part of the receiver an exercise of his right to demand silver. This question seems to be implied in the Government's question. My answer is, that I know of no measure of the convenience which would allow conclusive comparison of the value of the convenience and of the gain or loss on the gold. My belief is, that the convenience of gold as money would be very small when it is not a legal tender. In fact, for large transactions, I do not know what the convenience is, beyond the certainty given to the quantity and quality of so much bullion.

19 If the question were only, at what standard value to com gold pieces without making them a legal tender?—the answer would be a very simple one. Any standard value will answer the principal purpose of certifying the quantity and quality of so much bullion, and by using the standard most nearly corresponding to the relative value of 10 rupces, you add the further convenience of most readily indicating the average value of so much hullion in rupces.

20 But the Government's question is virtually, at what standard value shall we accept sovereigns and coin gold pieces which are to be a legal tender to Government and to no one clas?

I do not see that this requires a different answer. The Government, in making itself liable to accept gold when no one else is liable must intend an advantage to each individual of the community against the collective community represented by the Government. It cannot hedge against what may be called the disadvantage to the State without neutral iming the advantage to the individual

21 The question put by the Government in full has a third element in it, and, stated completely, is at what standard value shall we coin gold which shall be a legal tender to Government and to no one else; and by what means can we force that value into so manageable a relation to the sovereign that the sovereign shall pass current?

I think the latter part of this question ought not to be allowed to modify the first.

It would be very convenient if a sovereign were the equivalent of 10 rupees, but it is not. If once we aibitiarily abandon the existing silver rupee as the standard of the operation, we cannot reasonably stop short of some radical change which will make the gold piece the standard.

- from accepting sovereigns at a rate at which no one else can be compelled to receive them, they should accept them at the rate corresponding to the value of the gold 10-rupee piece. Of course, it is not in relation to the 10-rupee gold piece that any variation is really contemplated. The wish to alter the silver rupee underlies the whole question. I have noted above the arbitrary character of such a transaction, which appears to me the strongest objection to it
- 23 I hope I have sufficiently indicated my opinion and the grounds of it, the opinion being that the possible convenience attending the attempt to introduce a gold currency without making it a legal tender is not worth the trouble, and that unless some arbitrary measure, at once and for all changing the standard from silver to gold, be adopted, the only advisable course is the first of those stated in para 13 above, viz., at once to introduce what is called the 'double standard,' by coming gold pieces at the present relative value of gold and silver, that it is very possible that, so, gold might not get into free circulation, owing to a tendency to a rise in its value, but that this would be of much less importance than is commonly supposed, because the principal advantage would be gained by the mere right to use gold as money

I hope, too, that I have also clearly indicated, though I have not hitherto specifically expressed, that if, whilst incurring what is called a double standard, we strictly maintain the existing silver rupee as the real single standard, there is nothing to prevent a re-adjustment of the gold coinage to that standard, if, after a time, a rise in the value of gold should inconveniently exclude it from circulation

Thus, perhaps, some day, convenience and relative value would co-operate, and so supersede silver, that the existing silver standard would be extinguished by the ordinary course of commerce

But I repeat that this exclusion of silver is no present need, and that, on the one hand, the avoidance of a double standard by refusing to make the gold a legal tender is futile, whilst, on the other hand, the avoidance thereof by altering the value of the existing silver rupee is too arbitrary a measure to be entertained.

24 In order to write clearly, I may seem to write positively; but I have not studied this subject so widely as to make me over-confident in my own conclusions. I should scarcely have presumed to give my opinion to Government unasked, but being asked, I feel that I have given enough attention to these matters to make it right that I should comply,—knowing that, if the grounds of my opinion be stated clearly, they may though wholly rejected, help as stepping stones to a sound conclusion

From J STUART, Req., to the Acting Chief Secretary to the Government of Bombay, dated 3rd August 1868

I have the honor to acknowledge receipt of your letter No 1100 of the 24th ultimo, forwarding copy of a letter from the Government of India, No 766, dated 80th June last, relative to the introduction of a gold currency into India, and requesting my opinion on the points therein mooted.

- 2 This subject would appear to have been fully considered by the Commission appointed in 1868 and I do not think it necessary to go over the arguments in favor of a change that seems to be so unanimously desired by all classes of the public. I will, therefore, only state that my opinion is in accordance with that of all persons consulted upon that occasion and in favor of a gold currency
- 3 From my intimate knowledge acquired during several years' experience on the Australian gold fields, I can safely affirm that the rate of exchange between India and England has much more influence in regulating the shipments of sovereigns from Australia to India than the price of gold in the Indian markets. The sovereign usually sells for about Rs. 10 2 m India, and with exchange on London at 2x per rupes, or under, no sovereigns will be sent from Australia but if the exchange rose to 2x 1d which would leave a fair margin of profit, I have no doubt but that large shipments would be made.
- 4 Sovereigns are exported by the Australian Banks to India principally as a mode of remittance to London therefore the rate of exchange is a much more important element in influencing shipments than the actual price of gold.
- 5 With regard to the notification usued by the Government of India in November 1864 offering to receive at the treasures British and Australian sovereigns at the rate of Rg. 10 each. I think the non success of this attempt to facilitate the use of gold in place of silver should be

ascribed to the very exceptional state of commercial affairs in Bombay, and which, to a certain extent, must have affected other parts of India, and also to the unfavorable rate of exchange on England prevailing for the following years, rather than to the value fixed for the receipt of sovereigns. Had the rate of exchange been about 2s. 1d. per rupee, and sovereigns made a legal tender at Rs. 10 each, the result would have been very different. Under the circumstances stated, I think, the experiment has scarcely had a fair trial

- 6 It is the uncertainty as to the value of sovereigns in India, and, in seasons of great commercial difficulty, the impossibility almost of converting them into money, that prevent their being much more extensively used as a means of remittance from other countries, but once give them a certain fixed money value as currency by making them a legal tender, the advantages of a gold currency would soon become apparent, and after a short time silver coins would only be used as subsidiary to the more precious metal.
- 7 I am of opinion that all that is necessary with the view of introducing gold coin is for the Legislatuic to declare the British and Australian sovereign and half-sovereign a legal tender at Rs 10 and Rs 5 respectively. It may be uiged that while the sovereign can command a higher rate than Rs. 10 in the market few will be presented at the treasuries, but it appears to me that the present high rate is, in a great measure, owing to the fact that there are few sovereigns in the country. I have already stated that the rate of exchange between India and England must regulate, in a great measure, the exports of sovereigns from England and Australia.
- 8 It would, undoubtedly, greatly facilitate the introduction of sovereigns to declare them a legal tender at the rate of Rs 10½ each, for it would immediately bring into circulation any that are in the country, but I think it extremely probable that in the course of a few years it would be necessary to adjust the valuation, unless the quantity of gold required for coinage in India had such an effect that the present price could not be maintained—and I am not prepared to say that it would.
- 9. I am in favor of the mint issuing gold coins of the respective value of Rs 10 and Rs 5 each. Goldmohuis might also be coined at the value of Rs 15 each, but for all ordinary purposes the sovereign and half-sovereign would be found more useful.

10 It would be necessary, of course, to remove all restrictions to the receipt of gold coin or bullion by the Currency Department.

From Munguldass Nathoobhot, Esq., to the Acting Chief Secretary to Government, Bombay, No 235, dated 17th August 1868

I have the bonor to acknowledge the receipt of your letter of the 24th ultime, forwarding copy of a letter from the Government of India, dated 30th June last, regarding the introduction of a gold currency in India, and inviting my opinion on the points mooted in that communication.

In reply, I beg to inform the Right Hon'ble the Governor in Coun cil that, in my humble opinion, the introduction of a gold currency into India is highly desirable but that difficulties are likely to arise from considerable fluctuations taking place from time to time in the price of gold, according to the exigences of the market. This would be the unavoidable concomitant of a double currency. The average intrinsic market value of British and Australian sovereigns being higher than Rs 10 the price fixed by the Supreme Government in the notification promulgated by the Vicercy in November 1804 has failed to attract soverenens in quantities sufficient for extensive circulation in all parts of the country I would therefore, suggest to Government the advisa bility of embracing a favorable opportunity to coin and introduce a gold currency adapted to this country, as recommended by Lord Halifax. I would recommend the comage of goldmohurs of the value of Rs. 15, weighing, with alloy, 180 grains and smaller pieces of the value of Rs. 10 and Rs. 5, weighing 120 and 60 grains respectively at such standard value as would admit of English and Australian sovereigns being taken at Rs. 101 each Native merchants, bankers and other classes of the people who are not backward in appreciating the advantages and superior convenience of gold coms will I believe, make considerable use of this valuable ourrency, and facilitate its extensive circulation, if Government adopt proper measures for issuing such coins as I have just described, and for receiving them into the public treasuries throughout the country

I have the honor to acknowledge your letters Nos 1100 and 1246 of 1868 in the Financial Department, relative to the miroduction of a gold

From George Posso, Esq., to the Acting Under Secretary to Government, Bombay dated 28th August 1868

currency into India, and to submit, for the consideration of Government, the accompanying remarks:—

- 1. I know of no means by which the desire of Government to encourage and facilitate the circulation of British and Australian sovereigns in British India can be attained.
- 2 No rate, as an equivalent in rupees, for taking sovereigns at the public treasuries, to be of any effect and to avoid risk of loss to Government, can be fixed on.
 - 3. The market price of sovereigns is, suppose, Rs 10-8. If Government fix any rate below that as the rate at which sovereigns may be taken at the public treasuries, no experience is necessary to prove that none will be tendered to the public treasuries. If, on the other hand, the market price of sovereigns were, suppose, Rs 10-8, and the Government rate above that, sovereigns would find their way to the public treasuries in large quantities, and Government, probably, be considerable losers, not having the power of paying them out at the same rate
 - 4 The present price of British sovereigns in the Bombay market is Rs 10-9½, of Australian sovereigns Rs 10-11.
 - 5 The same objections apply to the scheme of coining 10-rupee gold pieces—not a legal tender—and there can be no security that the same inconveniences that formerly resulted in the prohibition of the receipt of the goldmohur at the public treasuries will not again occur
 - 6 The question of legal tender involves that of a double standard, for it does not appear to be contemplated to introduce the sovereign, or other gold coin, as a legal tender for a limited period, or to a limited amount only, the objections to either of such schemes being, probably, deemed conclusive
 - 7 I should deprecate the adoption in India of a double standard.
 - 8 In the operation of a double standard, the one coin which was becoming of less intrinsic value would gradually displace the coin which was undergoing appreciation. Should gold become dealer in proportion to silver, gold would be bought up and exported, and silver remain, as now, the only actual circulation. Should silver become dealer in proportion to gold, it might be exported to such an extent as to cause serious inconvenience and embarrassment for the want of small coins, the place of which could not be supplied with gold, especially in a country like India, where monetary transactions are so numerous, and singly so minute in amount.

From C E Chapman, Esq., Officiating Accountant General, to the Acting Chief Secretary to Government, Bombay, No. G, dated 20th August 1808

In accordance with the request contained in your No 1100 of the 24th ultimo, I have the honor to submit memoranda by myself and Mr Gay, Officiating Deputy Accountant General, on the point mooted in Government of India's letter No 766, dated 30th June last, relative to the introduction of a gold currency into India

2 Although your letter was addressed to me personally, I feel sure that His Excellency the Governor in Council will not object to my in cluding Mr Gay's memorandum in my reply, as he has given much thought and attention to these subjects

Memorandum by C E Charman, Esq., Officiating Accountant General, on the proposals for introducing Gold Currency in Government letter No 768 of 80th June 1863 dated 20th Angust 1868

Prior to remarking upon the two main questions discussed in this letter, I observe that the broader and more difficult question of "legal tender" is eliminated, or, rather, that the Government of India invite attention to that aspect of the question as altogether apart from the experimental and tentative measures advocated in paragraphs 7 to 12

- 2 It is well, perhaps to bear in mind the wide difference that exists between a measure that would make the standard of value legally bind ing and one that leaves the use of one or other standard of value to the choice or inclination of the two parties to a transaction
- 3 By proclaiming its readiness to receive gold in payment of dues Government waives its right to this choice and accepts all the disadvantages, possible or contingent, of a *legal tender* without the right to reciprocate in other words Government may find itself embarrased by an accumulation of coins which it cannot get rid of without incurring heavy loss.
- 4 It is proposed, however, to meet this difficulty (and especially with a view to getting the sovereign into circulation) by regulating the rate offered by proclamation with a nicety that may ensure first that the public will readily pay them into the treasures **secondly** that, on the other hand, Government may find no difficulty in disposing of them when meeting claims on its treasury

- 5 I remark, in the first place, that it would be necessary for Government to declare in any such proclamation the fixed period during which it would have force, otherwise, it would be inoperative, for no one would care to import sovereigns if he thought that the proffered rate might be arbitrarily or capriciously lowered.
- 6 I doubt much whether the "superior convenience of gold as a measure of value" is much felt by the public at large. To those accustomed to the sight and use of that beautiful coin the sovereign, the 10 rupees he must carry in its place will seem cumbrous and clumsy, but the public in India is not the score or two of British merchants at the presidency towns, but the people who have dealings with the numerous Government treasuries scattered over the country, and it is at least open to question whether the more bulky coin is not quite as acceptable to them as the more portable one, at all events, the paper currency has done away with much of the objection to a silver comage on this score, and when the paper currency becomes really a "popular institution," we may hope to see the inconvenience of the more bulky comage reduced to a minimum.
- 7 The practical question of the rate to be fixed "as precisely as may be reasonably possible" is by no means easy to solve, because we are very deficient in information. The market price of a sovereign in Bombay for several months past has not been under Rs 10-8, and on Monday last was as high as Rs 10-12, but this may be called a "fancy" price, as the sovereigns are scarce, and the only "enquirers" for them are people going to Europe, who find them a convenient medium of exchange when travelling in different parts of Europe, where the sovereign will always fetch its full value
- 8 I am not disposed to think that a proffered rate of Rs 10-4 would, at the present time, attract any large amount of sovereigns to the Government treasuries, and, as a tentative measure, for three months would fix Rs 10-6, or even Rs 10-8 it would be worth while even to run some risk of loss in order to attract sovereigns to the country.
- 9 As regards the question of a new coin, and the standard value as fixed by Act XVII of 1835, I have to observe that, from enquiries I have made, I can confirm the statement that gold has, of late, shown a marked tendency to rise in price. One of the leading Exchange Banks of this city has favored me with quotations of the price of gold since April 1867, from which I gather that it has risen about 8 annas per tola up to date during the past twelve months. This would, of

course, upset the equilibrium noted in para. 11 of the Government of India's letter The Calcutta quotations show a similar gradual advance in price.

10 As regards the breader question of legal tender of gold concur rently with that of silver, I have only to remark, in Mr Wilson's words (para. 15 of his Gold Currency Minnto), that a cosm deprived of the quality of defined and fixed value is reduced to the mere condition of a commodity which is to be bought and sold at rates varying with the fluctuations of the market, and so ceases to be a coin

Memorandum by E GAY Esq, Offg Deputy Accountant General, on Gold Currency, dated 8th August 1868

The question of a gold currency for India is necessarily, one of great difficulty, because it is complicated by considerations of exchanges and the state present and future, of the bullion markets throughout the world—subjects on which very little information is obtainable in India.

- 2 From the evidence which I can procure (it is very conflicting and imperfect) it seems clear that the Government goldmohur of 1835 is at the present time intrinsically worth at least its nominal value of Rs. 15 assuming this the value of the sovering is not less than Rs 10-4.
- 8 If a piece of about the value of Rs. 10 is required, the sovereign seems in many ways preferable to a fresh comage of a 3rd goldmohur. The 15 rupes coin was, I believe, never very popular with the Natives and the sovereign seems to be well known to the trading community in all parts of India. It is recognised all over the civilised world, and both English and Australian mintages are now equally current.
- 4 Especially in a tentative measure—there will be great advantage in the sovereign, as in case of a miscalculation and consequent necessity to alter the par—there would be far less disturbance in changing the rate of the sovereign than in decreeing that the 10 rupes piece should in future be valued at (say) Hs. 9-14—the convenience of the round sum of Hs. 10 would then be lost, and thus seems the sole advantage such a coin has over the sovereign for if the value were stated in the vermacular (which is not done with rupees) such an inscription would only muleid if that value were attered.
- 5 It seems not at all improbable, especially if gold be largely brought into currency in India, that such a revision of value may become

necessity. Silver appears to be growing relatively cheaper, and, a chink sencely sufficient allowingers generally made for the further fall that may be expected in its value of the demand in this country diminishes. This seems a far more senous distinburge of our present calculations than any that we need expect in the price of gold. From this is well as from other causes a slight error in the relative valuation of the two metals may be easily made.

- to If the value of the sovereign is as stated above, it would be most convenient to commence by receiving it it Rs 10-1. This might be a used if necessary but Government should be pledged not to lower it without certain notice, is otherwise importers would hardly venture to bring in gold. Even it this rate it is doubtful whether many sovereigns would, for some time it least, be received, as they now bear a higher value in the market.
- 7 This market price, however, seems very misale as a sole test of icil value. So few are at times indeed at the present time, available, that they are often sold at a fancy price. I do not know whether such cases are criefully excluded from the published averages.
- Sold is important to consider the effect which such a measure may have on any scheme for increasing the issue of a paper entiring. If gold were in the smallest degree over-valued, it would, probably, add very greatly to the difficulty of cashing notes, as the Government balances would be locked up in the way that was anticipated in 1852.

From the Hon'bld M J Shaw-Shiwart, Acting Chief Secy to the Gert of Bombay, to the Secy to the Gort of India, Financial Department, No 1160, dated 28th September 1868

In continuation of my letter No 23P, dated the 14th instant, I am directed to forward to you, for submission to the Government of India, the accompanying copies of letters from Mr E Morris, Agent of the Agra Bank, and the Secretary to the Bombay Chamber of Commerce, dated respectively the 10th and 14th instant, relative to the introduction of a gold currency into India

From E Morris, Esq, Agent, Agra Bank, to the Acting Chief Secy to the Goit of Bombay, duted 10th September 1868

I have the honor to reply to the copy of letter from the Government of India, No 766, dated 30th June last, forwarded to me in your

communication of the 24th July, No 1100, relative to the miroduction of a gold currency into India

- 1 The proposition to raise the tender for sovereigns above Rs 10 with the view of attracting gold to the treasury would, it is to be feared, only end in disappointment to Government
- 2 A guide of prices from avorages must be accepted with cantion and a rate fixed from such calculations say at Rs 10-4 (equivalent to laying down the rapec including charges of $1\frac{1}{4}$ per cent., at 1s $11\frac{3}{4}d$), would not in itself promote the object in view
- 3 During 1805 when monoy was scarce, the average rate for sovereigns was Rs. 10 2
- 4. For the last twelve menths the average is Rs 10 9 for "Queens 'Colonials are usually $\frac{\pi}{L}$ per cent, less in value
- 5 Three annus premium is equivalent to laying down the rupes at a τ_0^1 th within 2s but severeigns at this figure would only come to Government at exceptional times
- 6 It would be of paramount importance for Government to obtain from India itself a portion of supplies for the contemplated gold circulation, and the question is what feasible plan might be adopted to attain such a dearable result.
- 7 Formerly there used to be steady export of bullion from China and the Persian Gulf, but since the establishment of Banks in China remittances have been obtainable on India by demand drafte, and the bullion exports from the latter place (China) have decreased
- 8 There is however enough bullion in this country to supply the mint for many years. The reserve of specie stored in India does not probably fall short of 150 scittors. A price such as Government could afford would not disturb this reserve, because it has been laid down at a higher average by people who have no need or desire to break up the bulk of their accumulated heards.
- 9 Besides the amount estimated above, there are, probably, at least 20 millions used for ornaments.

Dragon" sovereigns, for which a fancy price is usually given of 24 per cent sometimes 5 per cent over Queens, are as a rule, purchased for the Malabar Coast and used solely for ornaments.

10 Sovereigns cost including brokerage 14 per cent, to lay down in India and this is equivalent to Rs. 10 2-6 or the rupee at 2s ? 6 230d

The supply is regulated, not so much by the demand for sovereigns, as the rate of exchange ruling on London.

- 11. At this moment it would be cheaper by a gain of two months' interest and $_{16}^{+}$ 158d in exchange to sell a demand diaft on London (i.e., at is. 11d), than to import sovereigns saleable at 9 annas premium, which is equivalent to 53 per cent, or say is. $11\frac{1}{16}$ 458d per rupee
- 12 Apart from the question of exchange (which, however, has an important control over the value of gold), sovereigns under the prevailing system are, generally, at too high a premium to enable Government to become a purchaser to promote their enculation.
- 13 The mere fact of declaring a sovereign to be a legal tender would not, in itself, promote the introduction of gold, nor would it distuib the hoards of English and Colonial sovereigns in Cutch and Guzerat, nor attract to the mint the bullion stored away.
- 14 The most desnable plan, apparently, is to establish a gold currency with the British sovereign standard
- 15 The introduction of a gold standard by fixing sovereigns at a uniform and legal value would, if anything is calculated to do so, break up by degrees the enormous hoards of gold bar and leaf, because there would be a more convenient mode of reserving as occasion required, without loss, the recognised circulating coin of England, Australia, Ceylon and India—a coin which would bear an intrinsic value totally independent of the fluctuations of prices.
- 16 Natives are slow to change, but when they understand that the establishment of a gold standard fixed the permanent value of gold com in India, and that it is the cheapest, and in fact the only, plan to send bullion to the Mint, they will gradually drift into the new groove, and will soon appreciate the policy of obtaining a coin which knows of no fluctuations in value, and is in legal circulation all over India
- 17 The Mint can hardly look forward to any gain, prima facie, on introducing a gold currency. The additional tax it would be necessary to impose on silver, especially the subsidiary coins, should go far, however, towards paying expenses
- 18 The Mint would eventually obtain a profit by converting gradually the present rupee into representative coins of less intrinsic value, but of equal denomination and current value

- 10 Government would, probably, deem it needful to issue a consider able quantity of small silver and copper come upon which the tax would chiefly fall, and to make laws prohibiting the comage of silver on account of indeciduals also to limit the amount of silver as a legal tender
- 20 With respect to the extract from Mr G Arbuthnot's munte, para. 0, important questions arise as to whether the bullion hearded would be disturbed by a gold standard, and whether bullion and coin would cease to be stored to such a counderable extent after its introduction.
 - 21 It must be borne in mind that the bullion stored represents prin cipally the balance of profits made out of the products of the country, and gold has been chiefly chosen on account of its convenience in bulk and imperishable value.
 - 22 Regarding therefore "supplies of gold," it is most desirable that the country itself should disgorge. A gold standard and a legal limit for silver would, probably have the effect sconer than expected, of forcing sovereigns into circulation, and bullion into the Mint.
 - 23 Doubtless grave questions arise regarding the effect a gold stand and would have on the relative positions of "debtor and creditor," and Government having the beaviest contracts for silver payments, naturally fears any artificial depreciation of gold and enhanced value of silver
 - 24 This fear based on theoretical grounds would be dissipated by a practical adoption of a gold standard, combined with the restrictions proposed to be levied on silver. These restrictions would increase the current value of silver, and the amount for circulation would be under the control of Government, and its legal tender lumited to a fixed sum. Contracts beyond the limit would be disbursed in sovereigns.
 - 25 This argument is based on the presumption that sovereigns will be 'demandable' and practically this course will be a necessity if any change is contemplated. It will affect the question of supplies of bullion from the country for coinage but a legal tender merely will hardly alter the existing state of the currency
 - 20 A gold com of any other description than the English sovereign, which closely approximates in value to Rs. 10 would only lead to an anomalous state of affairs.
 - 27 India's extraordinary capacity for absorbing the precious metals may lead to unforcesen difficulties in the way of a gold currency. The introduction of gold coin (British standard) would be followed by a rush

to obtain sovereigns in exchange for rupees, and it might be political in the first to concede to the demand, and issue a fixed number free of any restrictions on silver, although the majority of the sovereigns would, doubtless, be hourded.

Morcover, the Mint must be fully prepared for the demand, and it is for Government to determine at what extent sovereigns will be issued before the laws respecting silver are enforced, if they consider the adoption of the above suggestions desirable.

From J. Tarion, Esq., Secy, Bombay Chamber of Commerce, to the Acting Chief Secy to the Gott of Bombay, dated 14th September 1868

I have the honor to acknowledge the receipt of your letter of the 21th July, submitting copy of a confidential letter from the Government of India, dated 30th June, on the subject of a gold currency for India, and requesting an expression of the opinion of this Chamber in a confidential form on the various points raised therein.

The question of the introduction of a gold currency into this country has often been discussed by this Chamber, and a decided opinion as to its advantages, on the grounds both of economy and convenience, has, on more than one occasion, been already laid before the Government of India.

On these points there is now little difference of opinion, and the only point of any importance remaining for discussion is in reference to the best practical mode of introducing gold without disturbing, in any sudden or violent manner, the currency at present in use, to which the people have so long been accustomed

After much consideration of the subject, the Committee of Management of this Chamber are strongly of opinion that the simplest and safest course to follow would be to fall back upon Act XVII of 1835, coin gold pieces of Rs 10 and Rs 5 respectively, and declare them legal tender

The Committee would, however, deprecate coming 15 and 30 rupees gold pieces as enacted by Act XVII of 1835—the only argument in their favor is the fact that at former period these coms were familiar to the Natives of India, but this argument is now altogether obsolete, and 10 and 5-rupee gold pieces would now be preferred by Europeans and Natives alike

The Committee of the Chamber entirely agree with the opinion expressed by the Chirchey Commission of 1866, that the price of coined gold as sanctioned by law in 1835 "seems to be the legitimate basis on which to found a gold legal tender coinage for India, consisting of pieces of Rs 10 and Rs 5 respectively, the 10 rupee piece bearing the weight of 120 grains and the 5 rupee piece of 60 grains.

In para, 12 of the letter from the Government of India it is stated that, since the evidence submitted by the Commission was taken,

"gold has, at times, risen in value, and the tendency of gold to rise in value remarked by Sir William Mansfield in 1804, has somewhat farther declared itself since that date. Consequently there may be room for doubt whether if gold pieces were now to be coined, the standard value as fixed in Act XVII of 1830 or some other standard, should be adopted.

Gold and silver of course fluctuate in value like all other commodities, though probably less so in the long run than any other and their relative value has certainly not altered so as to make a change in their respective values as fixed by the above-mentioned Act in any degree justifiable

The question of the introduction of gold into the currency of India has been needlessly complicated by the desire expressed in so many quarters for the introduction of the English sovereign and various plans more or less ingenious, have been proposed for its introduction as the equivalent of Rs 10

As the sovereign however, is admitted on all hands to be of greater intrinsic value than Rs 10 it could not be made a current coin as the equivalent of that sum without raising the value of the rupes—a thing no wise statesman would think of proposing. The artificial method proposed for effecting the same object by raising the seignomes of the silver comage is hardly less objectionable, and to declare the sovereign legal tender at its supposed value of Rs. 10-4 would be inconvenient to the public and possibly a loss to the State.

The Committee respectfully submit the only safe way of dealing with the sovereign would be to continue the permission given in 1864 for its receipt at the public treasuries at the exchange of Re 10 by this course the State is in no danger of losing anything and otherwise a notification to this effect would frequently be found to be a benefit to individuals and a convenience to the public

In para 13 of the Government of India's letter it is stated that "at present the Government of India is hardly prepared to recommend the declaration of any gold coins as legal tender."

In reference to this remark, the Committee are respectfully of opinion that neither the plan they recommend nor any other likely to be devised will have any practical effect unless the coins proposed to be introduced are to be made legal tender, and unless Government are prepared to go this length, it would really be better to leave things as they are, for no half measure will effect the object in view

The only possible objection is the theoretical one of the supposed evils of a double standard, but the measure proposed is of so tentative a character, that there need be no fear on this score, and it seems hardly wise to defer giving effect to a scheme likely to prove of great public convenience and usefulness from the apprehension of a supposed evil never likely to asse

From T C Hope, Esq, Collector of Surat, to the Acting Chief Secretary to the Government of Bombay, dated 25th September 1868

I much regret that the absence of any of the previous correspondence and of tables showing the value of gold and silver coins at various dates has prevented my replying to your No 1100 of July 24th until now, when the time for replying, so as to be of use, has, probably, gone by

- 2 It, therefore, seems best not to trouble Government with any lengthened arguments in favor of the views I have for some years held, but merely to record what I have observed to be the state of Native public opinion in Guzerat, and chiefly at the great cities of Surat and Ahmedabad
- 3 There can be no doubt that any interference with the existing rupee coinage would be highly unpopular, as complicating the settlement of all debts and removing the present convenient measure of weight
- 4 Any gold comage for India should, therefore, be, as far as practicable, an exact multiple of the rupee The goldmohur of Act XVII of 1835 is permanently current in Guzerat at Rs 15, and, therefore, precess of Rs 10 and Rs 5 on the same basis will exactly fulfil the required condition
- 5 Such pieces will, however, be in little favor and use unless they are made a legal tender. Without that, they will be merely so much

gold, subject to all uncertainties of alleged as well as real fluctuations in the value of the motal proclaimed by the money-changers, which will materially counterbalance the conveniences of ready transport and use, which are almost the only recommendations of a merely optional gold currency. With it, they are certain to be gladly and largely adopted in transactions of all kinds, to the great relief of commerce, equally with the convenience of the people.

- 6 So indisputably general does this popular feeling appear to be, that I can conceive no adequate reason for Government hesitating any longer to comply with it, and spending valuable time in further tentative measures which are sure to fail. The evils of a double standard appear to exist chiefly on paper, and in the minds of those who take too exclusively a theoretical or bullion-dealer's view of the question, without making allowance for the effect of general popular consent in modifying theoretical truths. If we adopt as a legal tendor a gold piece such as that on the bans of the goldmohur, which fairly represents the relative value of gold and silver, I am convinced that it will in practice, be universally adopted at its legalised value, notwithstanding whatever minor fluctuations may take place in the relative price of gold. And if, after the lapse of a series of years a permanent variation in valoo be established, I know of no difficulty in altering the coin accordingly
 - 7 It remains to consider at what rate sovereigns should be accepted in the public treasures. The market value of these in the Surat market is usually Rs 10 11 for English sovereigns and about 9 pies more for Australian But during the three years of cotton prosperity they were worth only Rs. 10 as they were largely imported to pay the cultivators. and on the other hand they were about eight years ago worth as much as Rs 11 8 owing to a demand for them in Bombay when exchange was unfavorable These fluctuations appear to indicate that the high value of the sovereign is almost entirely dependent on its scarcity. Its true relative value which as far as I understand is about Rg, 10-4 would be the only suitable price for Government to receive it at as efforts to keep it in circulation at any artificial price must be futile. If however gold pieces of Rs. 10 and Rs. 5 be made a legal tender, the question of the receipt of sovereigns will become comparatively unimportant, as the former will immensely preponderate over them in both quantity and popularity and they will probably, not penetrate to any appreciable extent into the mofussil.

Endorsed by the Government of Bombay, No. 1499, dated 9th October 1868.

Submitted to the Government of India, in continuation of this Government letter No 1460, dated 28th September 1868

Minute by the Hon'ble Sir Richard Temple, dated 25th September 1868.

I beg to revert to my minute of the 5th of June last regarding gold currency.

- 2 I also circulate some important replies to our Circular of 30th June last. These may be considered as the best opinions obtainable in Calcutta and Bombay. The Lieutenant-Governor of Bengal has not, indeed, given his opinion, but he telegraphs to say that he has nothing in particular to suggest. Mr. J. Skinner, one of the best authorities in Calcutta, is now at Simla. His views have always corresponded with those of Mr. Dickson, whose reply will be found among the papers which I now circulate.
- 3 The reply from Madias has not yet come, but the early despatch of it has been promised by telegraph from Madras
- 4 I submit that the time has arrived when we may safely issue a revised notification in continuation of that of November 1864, to the effect that sovereigns would be received by Government treasuries at the rate of Rs 10 each I would offer now to receive them at Rs 10-4 That this improved rating is at least safe seems abundantly proved by the papers now circulated Whether such a rate is quite high enough to attract sovereigns in any large quantities while the present market rates continue to rule may be doubtful, but that if we could get sovereigns presented at Rs 10-4 we could dispose of them easily and advantageously seems to be beyond question The only question, indeed, would be whether Rs 10-4 are a sufficient amount to offer for a But as all previous enquiries, all average calcusovereign in these times lations extending over considerable periods, and the balance of the opinions embodied in the papers now forwarded are in favor of the Rs. 10-4 rate, I am not prepared to recommend that more should be offered, and I consider that the effect of this new offer ought to be tried
- 5 Looking to all that is laid down in Sir Charles Wood's despatch of 20th September 1864, and to the considerations set forth in the

earlier part of my minute of the 5th June last, I submit that if this view be opproved by the Governor General in Council, then His Excellency might now permit a revised notification to be issued as obove explained

6 The other points raised in my minute of the 5th June might be further considered on receipt of the reply from Madras, and would, probably, involve a reference to the Secretary of State.

I entirely concur with Sir Richard Templo The reasons for the proposed course are exhaustively given by Mr Dickson, to whom our thanks are due for his treatment of this vexed question I hope when we receive all the replies we may consider the other points of establishing a legal tender in an Indian gold coin.

27th September 1868

WRM

I concur At present, no doubt, we shall not get sovereigns at Rs. 10-4, or any rate like this but Rs. 10-4 appears to be a rate which will bring them into the country. Circulate to those Members of Council who have not seen the papers.

28th September 1868

3 L

I have no objection to the experiment but with His Excellency, I am very doubtful of its success until gold is made a legal tender

29th September 1868

GNT

I concur also

12th October 1868

H S M.

T concar

12th October 1868

H. W N

Minute by His Excellency SIR W R. MANSFIELD.

For the reasons already given, I dissent from the views expressed in the Hon'ble Mr. Strachey's minute *

And, further, I can see no reason for applying to the Secretary of State for leave to come gold at the mint, which is not only permitted, but exacted by law whenever gold is presented for comage, according to the conditions stated in the Act of 1835.

In short, it is no one's business but that of the Mint Master, who must, according to law, coin the gold pieces if gold be brought to him for the purpose, either by private parties or by Government.

I venture to think that this state of the law has been misappreciated in our discussion.

The coming of redundant gold which may be in the treasuries, either in the form of sovereigns or bar gold, rests solely with the Financial Department, which, I presume, would only be restrained in its operation by the facts of profit or loss to be derived from the operation.

I would strongly recommend that the market of Calcutta be judiciously warned of the state of the law by Mr Dickson, and that the notification proposed by Sii Richard Temple having been issued, gold coinage proceed, either at the demand of private parties or to ease the treasuries, whenever the latter operation appears remunerative to the Financial Department. We shall thus finally arrive at the facts, the ascertainment of which is indispensable when this Government can be in a position to declare gold to be a legal tender

In this manner we shall tread in the footsteps of Fiance and the United States, and turn every difficulty I do not see that any more discussion or reference is needed

Minute by the Hon'ble Sir Richard Temple, dated 20th October 1868.

All our hon'ble colleagues (with the exception of Mr. Strachey) have concurred in the proposal made in my minute of the 25th ultimo, and approved by His Excellency the Governor General, to issue a revised notification for the admission of sovereigns at a rating of Rs 10-4 each. I accordingly submit a diaft notification for His Excellency's final approval The diaft exactly follows the wording of the notification of 1864, to be found at page 301 of the book which accompanies This

^{*} This minute was accidentally mislaid and is not forthcoming. See para. 2 of Mr. Strachey's minute of 30th January 1869, in page 479.

could, with His Excellency's approval, be published in next issue of Gazette

His Excellency having decided that the question of coining gold pieces shall stand ever for the present, or until we reach Calcutta, I need not advert to the considerations connected therewith, as mentioned in some of the notes new put up

In answer to my hon'ble colleague Mr Strachey's arguments, it seems sufficient to observe that it was decided in 1804 that sovereigns should be encouraged in India by being received at the Government treasures. I need not now recapitulate the grounds of that decision. A certain rate of admission was notified. That rating is now seen to be somewhat too low. The object of admitting sovereigns, as previously decided, still remains. But as the rating is too low, it is to be slightly raised, from Rs. 10 0 to Rs. 10-4. The revised rating is proved by enquiry to be a very safe one. That is all which is now proposed. And this moderate proposal is so far, separate from the other questions connected with gold currency in India. I would observe, in conclusion, that the passage from Sir Charles Wood's despatch, as quoted by Mr Strachey (see page 299 of the book accompanying), refers to the enactment of legal tender—a measure not as yet proposed by me.

Notification by the Government of India Financial Department, No 3287, dated 28th October 1868

In modification of the Notification by the Government of India, No 3517 of the 28rd November 1864, the Governor General of India in Council is pleased to direct that from and after the publication of this notification soveragns and half-sovereigns, comed at any authorised Royal Mint in England or Australia of current weight shall be received in all the treasuries of British India and its dependencies in payment of sums due to the Government as the equivalent of ten rupees and four annas and five rupees and two annas respectively and that such sovereigns shall, whenever available at any Government treasury, be paid at the same rates to any person willing to receive them in payment of claims against the Government. The gold pieces stated in section 7 of Act XVII of 1836 will also henceforth be received as above, according to the values stated in that Act

Notification by the Government of India, Financial Department, No. 3438, dated 3rd November 1868.

ERRATUM.—In Financial Notification No. 3287, dated 28th October 1868, 1cgarding gold currency, published in the *Gazette of India*, dated 31st idem, for section 13, 1cad "section 7" of Act XVII of 1835.

From the Government of India, to the Secretary of State for India, No 333, dated 23rd December 1868

By our despatch No 29 of the 22nd January 1867, we submitted copies of the report by the Commission appointed to enquire regarding the currency, both paper and metallic We now desire to address you in respect to that part of the subject which relates to gold

- 2 It will be in your recollection that by the notification of the 23rd November 1864 the Government of India engaged that sovereigns and half-sovereigns should be received at the public treasures as the equivalent of 10 and 5 rupees respectively, until further notice. The declared object of this was that "the circulation of British and Australian sovereigns in all parts of British India should be encouraged and facilitated."
- 3 In his despatch of the 26th September 1864 on this subject, the Secretary of State remarked that there was "no objection to reverting to a state of matters which prevailed in India for many years, namely, that gold coin should be received into the public treasures at a rate to be fixed by Government and publicly announced by proclamation."
 - 4 Further on he laid it down that-
- "the question as regards the introduction of the sovereign into circulation at the rate of Rs 10 must depend on whether it would be worth the while of any person having a payment to make to carry gold to a mint to be coined into sovereigns, or to import sovereigns, in order that he may have the power of paying a sovereign in discharge of a debt which he may equally discharge with ten silver rupees. It is not probable that at the present relative value of gold and silver, any one would incur the loss which such a proceeding would involve * * * Whether it would do so, and to what extent, can only be determined by experience"
- 5 Further again, in reference to the notification above alluded to, he observed —
- "It will, as far as it goes, facilitate the use of the sovereign and half-sovereign in all parts of India, it will pave the way for the use of a gold comage, in whatever shape it may ultimately be found advisable to introduce it"

comparatively dead letter Already some thousands of severeigns at the new rate have been received at the Calcutta Treasury, and more are expected to be paid in

- 13 Seeing that the rate of 10 rupees 4 annas for the severeign approximately corresponds with the standard fixed by law for the British Indian gold pieces, that the comage of these pieces has been going on to considerable amounts year by year and is still proceeding that the quantity of these coins taken by the public affords proof of their undim inished usefulness and popularity, -we have determined to receive these pieces at the public treasuries at the valuation fixed by Act XVII of 1835, and we have notified accordingly Previously to 1852 these couns used to be received at the public treasuries. In that year this practice was discontinued by the order of the Government of India, consideration having been had to the possibility of an excessive influx of gold from Australia That apprehension has now, of course, passed away It is thus plain that these pieces may be received at the treasuries without loss to the State and with much convenience to the people. Notwithstanding the disadvantage of not being receivable at the treasures, these pieces have, during the period which has elapsed since 1852, been coined at the Calcutta Mint to the value of upwards of one million sterling For this connage the gold was almost entirely received from the public, and the come are believed for the most part to have been sent up-country We shall continue, of course, according to the law, to com in this way all cold bullion or specie that may be presented for comage
 - 14 It will be for the Financial Department to determine from time to time what should be done with any superfluity of sovereigns which might possibly accrue, namely whether to coin them into Indian pieces or to remit them to England, when such an operation might be favorable with regard to the state of exchanges
 - 16 It will be for experience to determine whether sovereigns will take a place as current coins, the sovereigns not being the exact multiple of the rupee, or whether as is most probable the Indian coins will be preferred. Should the former turn out to be the case then sovereigns will be taken out of the treasures as freely as they are paid in at the rate stated in the revised notification. If, on the other hand the sovereigns are not taken out, the public have an immediate remedy as referred to above namely, in turning them into Indian gold pieces. If the latter result should come about, there would be proof of the impossi-

bility of successfully applying the sovereign to currency purposes in India.

- 16 Heretofore, however, only 15-rupee pieces have been coined, although the law authorises the coinage of 10 and 5-rupee pieces propose to make early arrangements for the coining, according to law, of 10 and 5 as well as of 15-rupee pieces
 - 17. We append copy of our recent notification above alluded to
- 18 In conclusion, we hope it will be understood that we have steadily kept in view the advintage of ultimately making gold a legal tender.
- 19. On a careful retrospect of the whole case, we apprehend that experience shows that what may be termed artificial difficulties have arisen, first, from the prohibition to receive gold at the treasures in 1852. After that it was attempted in 1861 to cause the sovereigns to pass at a rate which experience shows to be less than the com is worth now being done is experimental and tentative, in order that we may become sure of the fact as to the relative value of gold and silver in India before we make the attempt to stereotype the results by a law and commit ourselves finally to the legal tender of gold. It is our behef, however, that the time is not far distant when such a law may be passed And that the desire for such a law is very general throughout India was proved by the evidence taken before the Currency Commission, and has been further corroborated by all the information which has subsequently reached us
- 20 Our honorable colleague, Mr John Strachey, does not concur in the substance of this despatch. The Minute which may be recorded by him on the subject will be subsequently forwarded.

From R. S Ellis, Esq, Chief Secretary to the Government of Madras, to the Secretary to the Government of India, Financial Department, No. 590, dated 30th December 1868

Referring to your letter, dated the 30th June last, No 766, marked

J D Sim, Esq. Member of the Board of Revenue Colonel C A Orr, Secretary to Government in the Public Works Department, late Mint

Colonel C A Carpendale, Mint

The Hon'ble V Ramiengar, Superintendent of Stamps

"Confidential," relating to the introduction of a gold currency into India, I am directed to transmit copies of the minutes recorded by His Excellency the Governoi and the Hon'ble Mr Aibuthnot on the subject, together with eopies of letters containing the views of the Chambei of Commerce,

Madras, and the gentlemen named in the margin, to whom copies of your letter were sent for an expression of their opinion

Proceedings of the Madras Government, Financial Department, dated 30th

December 1868

Read the following papers -

From Colonel J Carrendals, n r., Mint Master, to the Chief Secretary to the Government of Fort St George, dated the 10th September 1808

I have the honor to acknowledge order of Government in the Finan cual Department, No 367 of the 6th ultimo communicating a despatch from the Government of Iudia on the subject of the gold coinage The questions for report are—

I At what rate, as an equivalent in rupees, should English and Australian sovereigns be taken at the public treasures?

II Whether the standard value of the gold mehar, viz, 15 rupees, as fixed by Act XVII of 1835 is or is not perfectly applicable to the present time and to the immediate future and whether the proclamation of 1852, prohibiting the receipt of gold mohurs into the treasuries, might not be repealed?

III What should be the standard of 10-rupce gold pieces if the introduction of such a coin was resolved on?

2 Any one whose attention has been directed to this subject is award that the chief obstacle to the introduction of a gold coinage in India, where the standard is silver, is because gold has a fixed value almost everywhere out of India and silver a finetuating one, and which varies, moreover, according to the demand rather than according to the supply but it is not so generally known that another difficulty exists in Southern India in the circumstances that, owing to the partiality of the people of the country for this metal, gold commands a price in some places in excess of its intrinsic value in Europe and Australia place all the attendant expenses of its importation and until this demand is satisfied, I should not expect any legislation to be effectual in keeping gold coins in circulation, whether they be sovereigns, the gold inchurs or new 10 rupes pieces.

Again, although in England the Australian is rated on equality with the English sovereign in the town of Madras there is always a differance of one ains in favor of the English sovereign, and that although the Australian is really a trifle more valuable on account of the silver contained in it, the quantity of fine gold in both being the same, and this is not owing as is sometimes thought to the English sovereign being a more marketable article for homeward bound travellers, but simply because of the colour, a hint to be remembered in the event of gold being coined in India, that its fineness and composition should be what the people of the country are familiar with and appreciate, viz, $\frac{1}{2}$ fine gold and $\frac{6}{12}$ copper, being the same as the English sovereign and the gold mohu

Another peculiarity to be observed is that sovereigns command a higher price than gold of equal purity in any other shape, probably because of the Mint Stamp being accepted as a guarantee of its value the cost of assaying is saved. It is also worthy of notice that in the provinces the price of gold varies with the caprice of the people, in one place the old St George sovereigns being in greater request than those of the present coinage, and in other districts an Australian sells for 2 annas more than a British sovereign

3 I now proceed to consider the sovereign as a coin for India, first observing that I will omit for the present the cost of procuring the coin, such as fleight, insurance, &c, and meiely take account of the intrinsic value of the article which alone affects the general question of gold and silver that are imported from the same places circulating together, and I will omit altogether the Mint seignorage, which does not in any way affect the value of coms in circulation, for I think that some writers on the subject have complicated the question very much by insisting on the value of a coin being the cost of procuring it, and taking as their datum line the cost at which gold can be obtained by importation from London and Melbourne, including all expenses for transit, and the seignolage or Mint charge in India for coining, the latter having nothing to do with the absolute value of the coin, but simply affecting the question of importation, and enters into a banker's and merchant's calculations as to which is the most profitable means of remittance at any particular time, whether gold, silver, public or private bills, or "Government Paper," but it no way affects the relative value of the coins once they are put into circulation For instance, when the Mint coins a hundred rupees worth of standard silver into a hundred-rupee pieces, and gives back the importer only ninety-eight, keeping two for the Government as seignorage, each of those ninety-eight are still worth sixteen annas, and are in no way depreciated by the cost of obtaining them, or because the merchant found it was more profitable to obtain them by importing bullion, than by importing haidware, or piece-goods, or by buying a bill on a bank Or again, not long ago a profitable remittance on a particular occasion was made by a gentleman in Madras to London,

by means of sovereigns bought at a considerable premium, so called, that is in excess of ten rupees. The cost of each of those sovereigns on reaching England was necessarily greatly in excess of twenty shillings, but the value of the sovereigns remained the same.

4 Commoning the inquiry then with the sovereign. The fixed price of standard gold in London, that is, gold which is 11 12th fine, or of which 440 grains out of each owner is fine gold, is £3 17 0 an ounce, or 938 ponce

The price of English standard silver is now, and has for some time been, in London 00% an ounce. English standard being 444 grains of pure silver in each 180 of standard metal while the rupee standard is 440 grains of pure silver in each 480. To find then the relative value of the two metals, we have—

As 440 grs 033d 480 grs 1017 81d, the price of an 0x. of fine gold

As 414 grs 00 375d 480 grs 05-27d, the price of an oz of fine allver

Whence as 05 27d 1017 81d 1 51 593 that is, the relative value of gold to silver, when the price of silver is 60% an ounce is as 15 503 i 1; consequently to find the value of a sovereign expressed in rupees, we have, as the sovereign contains 113 001605 grs of pure

gold and the rupee 105 grains of pure eliver,

Rs 10 678 or Rs. 10 10 10 But gold bought in England at £3 17 9 an ounce is circulated in the form of sovereigns at £3-17 10½ an ounce which makes the value of the sovereign in rupees when silver is 60½ pence an ounce, exactly Rs. 10 11-0 the current price in the town of Madras being Rs. 10 12-0 and m some districts in the provinces Rs. 11 and Rs. 11 2-0 while the cost of procuring them from London at 1½ per cent, would only raise the value from Rs. 10 11 0 to Rs. 10-13-4, for the freight and insurance on sovereigns from London at the present time barely exceeds 1½ per cent.

It has been proposed to declare the sovereign a legal tender for ten rupces, and to encourage their importation by means of largely increasing the seignorage on silver whereby it is hoped that the sovereign might eventually fall in value to be worth exactly Rs. 10 It would of course be possible to raise the seignorage on silver so much that gold only would be imported but I do not understand on what grounds it is

expected that sovereigns, the importation of which is thus forced, will be paid into Government Treasuries for less than their value, or that other gold will be tendered to the Mint for a less price than is procurable else-The relative value cannot alter until gold becomes cheaper all over the world, or until the price of silver rises, and as an English sovereign at the present price of gold can never be worth exactly Rs 10 until English standard silver is 64½ pence an ounce in London, I cannot see any grounds for the expectation The present low price of silver, 60% pence an ounce, is undoubtedly owing to the diminished demand from India, the largest consumer in the world. stands to reason that any further decrease in the demand, arising from the introduction of gold into the currency, must tend to still further lower—certainly not to enhance—the value of silver, so that a fall to 60 pence an ounce may, I think, be expected, while, on the other hand, any tendency to a fall in gold owing to increased production, which might. otherwise be feared, will be retarded by the increased market of India, and with English standard silver at 60 pence an ounce the value of the sovereign would be Rs 10-12-2.

In 1798 the comage of silver in England was altogether prohibited by law, and the price of standard silver at that time in London was 5s. an ounce, that it subsequently rose to 5s $10\frac{1}{2}d$ an ounce in 1810 must, I think, be attributed to the new demand, and that it has since gradually fallen is owing I think, it must be admitted, to gold having in so large a degree taken the place of silver in the currency of France and other countries.

5 It will be observed that the above calculations are all based on the London price of gold, £3-17-9 an ounce, or £3-17-10½ an ounce, the rateable value of a sovereign, but it has been urged that as gold can be imported at a cheaper rate from Australia, its minimum price should be the data for calculation, and that the price at which gold from Melbourne can be laid down in Calcutta is £3-18-4 an ounce. This argument appears to me to be assuming that because gold can be procured from Melbourne cheaper than from London, it necessarily will be. No doubt if the balance of trade between India and Australia required adjustment by a bullion remittance from the latter country, such importation of gold would be cheaper, provided it was not in the form of sovereigns, than from other parts of the world, but if the bullion is required in adjustment of a balance against Europe, I question the fact of its being cheaper, as the transaction would entail charges of at least

4 to 6 per cent., though it is easy to understand that it may be more profitable to a merchant in London who has a debt to discharge in India, and has fands available in Australia, to effect an adjustment by means of gold from Australia sold below its actual cost, than to carry the gold to England before discharging the debt in India at any rate the other fact remains, that India's annual receipt of gold from England and other parts of Europe is very large, and as gold would continue to be imported from both countries, it is more probable that the Australian consignments would rise to the English rate, than that the latter would fall, but supposing the contrary to be the case, let us see what would then be the value of the sovereign in rupees

The gold is supposed to be received direct from Australia at the minimum cost, including export daty, freight, and insurance, &c, and to be worth, or rather to have cost the importer, on arrival, £3 18-4 an onnec

To compare we must suppose that effect is in like manner, procured from the cheapest market or., London, at 60d an ounce. Add 1½ per cent, for freight, insurance, and other charges, brings it up to 60 9d an ounce.

Then with silver at 60.9d and gold 940d an ounce, the relative value of the two metals is as 1 to 15 435, and the value of the sovereign in rupees would be 10 9 1, that is supposing it to be coined in India at the expense of the State Sovereigns imported from Australia would cost pretty much the same a little more than if imported from London.

I am somewhat doubtful however that gold can be always imported from Australia at so low a rate as £3-18-4 an ounce, including all charges. I know it sometimes coats £3-17-4 the standard ounce in Australia, and that export duty freight, and incurance come to something more than 1½ per cent., making the price on arrival in Madras £3-18-7½. The cost of obtaining sovereigns from England at the present time barely exceeds 1½ per cent. say £1-11-0 per £100, ugainst £1-18-6 from Australia.

6 I do not think then, that the par value of a sovereign, or the equivalent quantity of gold, is ever likely to be ten rupees. No doubt it would be a great advantage were it so but the general idea of its being or is probably owing to the popular but erroneous impression that the par value of a rupee is two shillings as the tenth part of a pound sterling whereas the exact value of a rupee in London at the present time as nearly as it can be expressed in English currency, is 1s 10½d, and the

intrinsic value of an English florin or of two-shilling pieces when silver is 60d, an ounce is 1s. $9\frac{1}{2}d$. I do not think, therefore, that a smaller sum than Rs 10-12-0 as the equivalent of a sovereign would be effectual in getting them paid into Government Treasuries.

- 7. Further, I am of opinion that any tentative measure which simply brought sovereigns into Government Treasuries, and ensured their issue at the same rate, could not be regarded as a success while the same coin was not a popular enculating medium among the community generally, and that I do not think any coin would be which was not a legal tender, and I would therefore advocate that whatever gold coin it may be decided as most desirable to introduce into India, should be declared a legal tender. I cannot see any injustice to creditors that they might be paid in what there is every reason to expect will be at any time hereafter the most valuable metal, seeing that the price of silver has been for a long time gradually falling, and that there is no ground for expecting its relative value to gold to merease.
- S. It may seem strange, considering that Rs. 10, Rs 10-2-0, and Rs. 10-4-0 have so long been talked of, and written of, as the equivalent of a sovereign, that any one should now propose Rs 10-12-0 should be regarded as its proper value, and especially as it appears from the tables at the end of the second volume of the Currency Commission Report, that the price of sovereigns in Calcutta, from 1861 to 1866, varied from Rs. 9-15-0 to Rs. 10-7-0, but the question is one of fact, not of opinion, and I beg attention to the circumstance that these tables simply give the selling price, and not the value of the article with reference to the price of silver at the time, and that the only just way of estimating the value of the article is by comparing it with the standard value according to the rates of each precious metal in the chief market of the world

In Appendix XL, page LIII, of the Commissioners' Report, it is shewn that the average piece of standard silver in London from 1819 to 1843 was 4s. $11\frac{13}{16}d$, and from 1844 to 1865 it was 5s $0\frac{3}{4}d$, the mean of which is $60\frac{1}{2}d$, the present price being $60\frac{3}{8}d$, and I think we have therefore strong reasons for expecting that if gold become a legal tender in India the price of silver must fall to 60d an ounce. The relative value of gold to silver deduced on the same pages does not appear strictly correct. For the period from 1844 to 1865, the average price of silver is shewn to be 5s. $0\frac{3}{4}d$ and of gold £3-17-9 an ounce, and then the relative proportional value is said to be as 1 to 15 358

This would be so, if an ounce of standard gold and an ounce of standard silver contained each the same number of grains of pure pre cious motal, which they do not do there being 444 grains of fine silver in an ounce of standard silver, and 440 grains of fine gold in an ounce of standard gold. Hence, the relative value from 1844 to 1865 was very nearly as 1 to 15 5, which would give Rs 10 9 10 as the value of the severeign, but even at the ratio shown in the Commissioners' Report, vis., 15 358, its value would be Rs. 10-8-3

I beg it may be understood that I put this view forward as what I believe to be a matter of fact not of opinion, and as the proof of it would be practically determined by the choice of bullion for remittance to England let us reverse the operation previously performed and see what the result would be

I have taken Rs. 10 12-0 as the value of the severeign in the expectation of silver, which is now 90% d an ounce, falling to 90d

Suppose, then a merchant requires to remit £10,000 to London, and that his choice of means lies between sovereigns and rupces

The 10,000 sovereigns would cost Rs. 1 07 500 and be worth in London £10,000 1,07,071 rupees remitted to London would be worth at 50d. an ounce English standard £10 000 so that, even at Rs. 10-12-0, the sovereign is somewhat under rated and it seems to me clear that if its relative value was fixed at any lower price, it could not be expected to rémain in circulation at all and that if not wanted for hearding it would be remitted to other countries was necessary. The cost of remitting 10 000 sovereigns to England would be 1½ per cent. The charge for silver would only be a trifle more than 1½ per cent. an inappreciable difference.

9 The gold mohur next comes under consideration. It weighs 180 grains, of which 165 are pure gold, whence its touch is the same as that of the sovereign then taking English standard silver at 60% an ounce and gold at £3 17 9 the relative value is as 1 to 15 691 and the value of the gold mohur expressed in rupees would be Rs. 15 11 6, as it contains 165 grains of fine gold, while a sovereign and a half-sovereign together contain 169; grains of fine gold and would be worth Rs. 16 1 9. The gold mohur then being now worth Rs. 15-11 6 a ten rupee piece as a part of it and weighing 120 grains would be worth Rs 10 7 8 which is a closer approximation to ten rupees than the value of a sovereign but not close enough

- 10. A special gold coin, being the exact equivalent of ten rupees with silver at 60d. an ounce, and which it has been suggested might be called the "Victoria," would therefore appear the most appropriate medium for introducing gold into the Indian currency. Of the same touch as the gold mohur and the sovereign, its weight would be 111 51545 grains, of which 105 grains would be fine gold, and the exact equivalent is ten rupees. For, with sovereign gold at £3-17-10½ and silver 60d, an ounce, the proportionate value of gold to silver is as 1 to 15 715 and $\frac{105 \times 15 \, 715}{165}$ is equal to 10 rupees
- 11. Let us now see what encouragement should be afforded for the introduction of gold, what advantage there must be in its importation in preference to silver. If a banker of a merchant wishes to import £1,000 in bullion, 1,000 sovereigns plus 1½ per cent. freight, insurance, &c, will cost him on arrival at Madras £1,015, and the outturn will be \frac{113 0010005 \times 1000}{105} = 1076 205 "Victorias" of 10 rupees each, or Rs 10,762 less 1 per cent seignorage, equal to Rs. 10,654-6-2.

If he imports silver-

£1,000 worth at 60d. an ounce is 4,000 oz., and the outturn will be 10,765 rupees

less 2 per cent 2152 ,,

or Rs. 10,549-13-0

being a difference of only 105 rupees on a paicel of bullion valued at £1,000. This would certainly be an insufficient inducement to import gold in preference to silver, and I am inclined to recommend that seignorage on gold should be abandoned altogether, which would give it an advantage of 2 per cent over silver, or if Government is unwilling to do this, the seignorage might be retained at 1 per cent, or reduced to a half on gold and increased to 3 or 4 per cent on silver, but it must be remembered that if sovercigns are admitted into the currency, all seignorage on gold must necessarily be abandoned, and it would be requisite to authorize the coinage of sovereigns at all the Indian Mints

12 Summing up the above remarks to answer concisely the order of Government—

I think Rs. 10-12-0 should be fixed as the value of a sovereign

I think the prohibition to receive gold monurs into Government Treasuries might safely be withdrawn, and that a smaller price than Rs. 15-11-0 would not ensure their payment into any treasuries.

I think that a ten rupeo gold coin of the same fineness and colour as the English severage, and weighing 114 54545 grains, of which 105 grains should be pure gold, would be the coin best calculated to meet with general acceptance and to remain in circulation

From J D Sin, Enq , to the Chief Secretary to the Government of Fort 8t George, dated 22nd September 1808

I have the honor to acknowledge the receipt of the order of Gov ernment, dated 6th ultime, No 367, Financial Department (confidential), on the subject of the introduction of gold into the currency of British India.

- 2 My remarks necessarily apply only to the Madras Prendency
- 3 The first question proposed by the Government of India is "At what rate, as equivalent in rupecs, should English and Australian sovereigns be taken at the public treasuries."
- 4 The present official equivalent of a sovereign, whether English or Australian is ten rupees; but as the sovereign is really worth much more, the receipt of these coins at the public treasures has censed. No one, of course will sell a sovereign to Government for ten rupees when he can get more for it elsewhere.
- b Of late years, there has been a very great increase in the imports of silver and gold into this presidency but the exceptional circum stances which led to this are passing away and the imports of the precions metals are reverting to their normal standard. There has been, however, this peculiarity in the bullion trade, our, that while a very large portion of the alver has been again exported, the bulk of the gold has remained in the presidency. It will be seen, from the enclosed Statement A,* that in the ten years from 1858-59 to 1867 68 the im ports of miver by see have been equivalent to 14 millions sterling, but m the same period ten millions have been exported, four millions being thus the balance left m the Presidency In the case of gold, however, while 84 millions have been imported during the same period, only 2260.000 have been exported, more than 8 millions being left in the country As gold is not a legal tender and is but partially used as a circulating medium this large retention of gold in the country must be for its greater convenience for hourding, for conversion into ornaments and other similar purposes. If in addition to the value which its peculiar fitness for these purposes gives it, gold be now constituted a legal tender so far as the State is concerned, and the receipt of it at a

fair price be assured to the possessor at all times, a rise in its value, consequent on this new use to which it can always be applied, must naturally be expected

6 I enclose a statement (B)* extracted from the price currents of the Madras Chamber of Commerce, English Australian Rs A P Rs A P showing the pieces of sovereigns at Madras from 1860 The mean of the 1860 7 0 No quotations. 6 1861 10 10 4 10 annual rates I give in the margin. 10 5 1862 8 10 10 2 10 2 10 4 1863 Б will be seen from these how impossible 10,4 1864 2 10 3 6 10 5 10 it is to fix an equivalent for the sover-1865 6 10 1 11 1866 10 3 5 eign, which, in the words of the Gov-1867 10 9 4 10 6 10 1868 10 11 2 10 10 9 ernment of India, while not prohibit-

ing their presentation, as seems to be the case at present, should induce the public to look to the superior convenience of gold as a measure of value when realizing dues from the public treasures. For the years 1862-66 probably Rs 10-4-0 would have been considered a fair and safe equivalent, but the result in the two next years would have been that every sovereign in the public treasures would have been withdrawn, and none paid in. Considering the present ruling price of sovereigns, and the probable rise in consequence of their being received at the public treasures at a rate approximating to their real value, I do not think a lower equivalent than Rs 10-12-0 would meet the object which the Supreme Government seem still to have in view, that the circulation of British and Australian sovereigns in all parts of British India should be encouraged and facilitated."

7 I am not, however, in favor of receiving sovereigns at the public treasures at a fixed value, believing that such a measure will be either futile or injurious—the former when the fixed value is below, the latter when it is above, their market value—while, as a rule, it will be either one or other

8 Further, looking at the abnormal condition of the trade of India of late years, I do not think the value of the sovereign can yet be safely predicated. But, if the Government do not make sovereigns generally a legal tender—if they only issue sovereigns at their official equivalent so long as they have them in their treasuries, and reserve the right, at any time, of declining to issue them and of altering the equivalent—the present rate of Rs 10 might be raised to Rs 10-8-0 with

Not printed

[†] Large quantities are sent into the provinces, and the price there must be still higher of course.

perfect safety, but this would not, at present, encourage the introduction of sovereigns. This, in my opinion, could not be anticipated from any rate lower than Rs 10 12 0; but, on the other hand, it must be considered that the latter rate might soon prove so much too high as to enforce in reduction, and that alterations in the equivalent cannot but be mischievous. As already stated, I am opposed to the contemplated measure, and would leave gold simply as a marketable commodity

9 The second question is, "At what standard value should ten rupce gold pieces be comed, supposing such comage were resolved upon" It is added in connection with this question, that "at present the Government of India is hardly prepared to recommend the declaration of any gold coins as legal tender" From the above it would appear that the object is to coin a gold piece which shall so precisely represent the value of ten silver rupces that as regards relative value, the creditor will receive and the debtor pay indifferently in silver or gold.

10 I do not see how this equalization is to be effected or maintained. Silver is falling and gold rising in value, and fluctuations must in the nature of things be expected. I cannot see any middle course between making gold the legal standard with a subsidiary silver comage, or retaining silver as it is. Considering the fact of all obligations in this country public as well as private, having been contracted in silver, and having regard to the present condition of the great mass of the people. I am of opinion that the time has not arrived for changing the standard of currency. I have no doubt gold coins would be acceptable to the people as enhancing the utility and value of the metal they find most convenient for remutances and reserves, but I do not believe that in this presidency they would materially displace silver as a circulating medium. One effect of a gold currency would certainly be to drive the paper currency out of circulation, and confine the use of bank notes to purposes of remutances as a substitute for bills of exchange.

11 In paragraph 9 of his letter, the Secretary to the Government of India further inquires whether any objection exists to the with drawal of the Notification of 1862 prohibiting the receipt of gold moburs at the public treasures. The comage of gold in this prendency ceased 20 years ago, and gold moburs are not often seen now-adays. There can be no objection to receiving them now at the legal value of Rs 15 each, but many are not likely to be received, as they bear a higher value in the market, and those that are in existence are in the possession of persons not likely to part with them.

P 8-I return the Despatch and G, O under acknowledgment.

MEMO -By Colonfi. C. A. Orr.

If the object of the present enquiry be to ascertain a method by which gold may be made to take the place of silver as the popular metallic money of this country, without displacing silver from its position as the standard and measure of value, it will be worth while to examine the principle on which, owing to the variable price of silver relatively to gold, first one and then the other of the metals came to be preferred as currency in the double comage of France, and, although both metals are current by law, one only at a time has been able to minitain its place in the circulation.

2. Previous to the recent gold discoveries, the price of standard silver in London was about 60d per onnee. But when standard silver 14 60d an ounce, the value of fine gold to fine silver is as 15 712 to 1. In Trance, however, the value of fine gold to fine silver, in the coins, under Mmt Regulations, is fixed at 15 586° to 1. Thus, while the value of gold to silver was in the market as 15 712 to 1, it was rated in the comage of France as only 15 586 to 1, and, under such encumstances, it is clear that no one having a debt to pay would tender gold costing 15 712 pieces of silver of the same weight and fineness when he could make the payment with 15 586 of the same pieces. therefore, came alone to be employed in all monetary transactions, and gold, as a necessary consequence, almost disappeared. This continued till the increased production of gold from the newly-discovered gold fields had the effect of lowering the value of that metal, or, what is the same thing, raising the piece of silver. As soon as this had proceeded far enough to make the proportionate value of gold to silver in the market less than the relative value put upon the metals in the comage, gold came to be preferred as the medium of payment. I am unable to state at what date this turning point was reached, as I have no means of ascertaining the price of silver at various periods after the gold discoveries had occurred, but in 1858, when the substitution of gold for silver in the currency of France was in full progress, the average price of standard silver seems to have been about $61\frac{3}{4}d$ per ounce relative value of the two metals was, therefore, at that time 15.271 to 1 in the market, while they continued to be lated at 15 586 to 1 in the comage, it was clearly not the interest of any one in France to pay in

^{*} The quantity of the metal in the coin is fixed by law as 155 to 1, but by Mint Regulations 6 frames are charged for the coinage of a kilogramme of gold into 155 pieces of twenty francs, and 1½ frames for the coinage of a kilogramme of silver into 40 pieces of five-francs

perfect safety but this would not, at present, encourage the introduction of sovereigns. This, in my opinion, could not be anticipated from any rate lower than Rs. 10 12 0 but, on the other hand, it must be considered that the latter rate might soon prove so much too high as to enforce a reduction, and that alterations in the equivalent cannot but be mischievous. As already stated, I am opposed to the contemplated measure, and would leave gold simply as a marketable commodity.

- 9 The second question is, "At what standard value should ten rupce gold pieces be comed, supposing such comage were resolved upon" It is added in connection with this question, that "at present the Government of India is hardly prepared to recommend the declaration of any gold come as legal tender". From the above it would appear that the object is to come a gold piece which shall so precisely represent the value of ten silver rupces that as regards relative value, the creditor will receive and the debtor pay indifferently in silver or gold.
- 10 I do not see how this equalization is to be effected or maintained. Silver is falling and gold rising in value, and fluctuations must in the nature of things be expected. I cannot see any middle course between making gold the legal standard with a subsidiary silver coinage, or retaining silver as it is. Considering the fact of all obligations in this country public as well as private, having been contracted in silver, and having regard to the present condition of the great mass of the people, I am of opinion that the time has not arrived for changing the standard of currency. I have no doubt gold coins would be acceptable to the people as enhancing the utility and value of the metal they find most convenient for remittances and reserves but I do not believe that in this presidency they would materially displace silver as a circulating medium. One effect of a gold currency would certainly be to drive the paper currency out of circulation, and confine the use of bank notes to purposes of remittance as a substitute for bills of exchange.
- 11 In paragraph 0 of his letter the Secretary to the Government of India further inquires whether any objection exists to the with drawal of the Notification of 1852, prohibiting the receipt of gold mobility at the public treasuries. The coinage of gold in this presidency cased 20 years ago, and gold mobility are not often seen now-a days. There can be no objection to receiving them now at the legal value of Rs. 15 each, but many are not likely to be received, as they bear a higher value in the market, and those that are in existence are in the possession of persons not likely to part with them

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2 Previous to the recent gold discoveries, the piece of standard silver in London was about 60d. per ounce. But when standard silver is 60d an ounce, the value of fine gold to fine silver is as 15 712 to 1 In France, however, the value of fine gold to fine silver, in the coms, under Mint Regulations, is fixed at 15 586* to 1. Thus, while the value of gold to silver was in the market as 15 712 to 1, it was rated in the comage of Fiance as only 15 586 to 1, and, under such encumstances, it is clear that no one having a debt to pay would tender gold costing 15 712 pieces of silver of the same weight and fineness when he could make the payment with 15 586 of the same pieces therefore, came alone to be employed in all monetary transactions, and gold, as a necessary consequence, almost disappeared This continued till the mereased production of gold from the newly-discovered gold fields had the effect of lowering the value of that metal, or, what is the same thing, raising the price of silver. As soon as this had proceeded far enough to make the proportionate value of gold to silver in the market less than the relative value put upon the metals in the coinage, gold came to be preferred as the medium of payment I am unable to state at what date this turning point was reached, as I have no means of ascertaining the price of silver at various periods after the gold discoveries had occurred, but in 1858, when the substitution of gold for silver in the currency of France was in full progress, the average price of standard silver seems to have been about 613d. per ounce relative value of the two metals was, therefore, at that time 15.271 to 1 in the market, while they continued to be rated at 15 586 to 1 in the comage, it was clearly not the interest of any one in France to pay in

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silver at the market valuation of 15-271, when with the same silver he might purchase a piece of gold which, through the instrumentality of the Mint, he could tender at the superior rate of 15-580. Under these conditions, gold, as a matter of course, became the more advantageous medium of exchange, and silver being no longer the more profitable tender was rapidly displaced from the circulation, and, being disposed of for the purchase of gold, was set free for exportation, leaving gold in its turn as almost the exclusive currency of France.

- 3 From this it may be inferred that, although gold may be made a legal tender equally with silver, it has no chance of coming into prevailing use in the currency, unless it be valued in the coins at such a rate compared with silver, as shall give the merchant an equal advantage in selecting either metal as the medium of his payments at the price gold may happen to bear to silver, as measured in silver in the market of the day in Europe.
- 4 Keeping this in view, a gold currency might be introduced into India in three ways.—
- I. By legalizing the circulation of sovereigns coined at any of the Mints of London Sydney, or India, at an equivalent value in rupees calculated according to the relative price of the day of gold and silver in London
- II By assuing from the Indian Mints a standard gold piece of such weight as shall represent the exact value of ten rupees in silver at the relative price of the precious metals in London
- III. By so modifying the regulations of the Indian Mints regarding soignorage as shall make the value of the silver rupee as coin to such an extent as shall make ten rupees an exact equivalent in India of the ten rupees standard gold pace of 120 grains without altering the weight or fineness of either coin.
- 5 If the miroduction of the English sovereign into the Indian coinage be considered denirable, its ready circulation may no doubt be secured by placing upon it such a value in rupees as shall make it as advantageous to tender it as its equivalent in silver. That value must bowever be fixed, not with reference to the selling price of sovereigns in the local markets of India but strictly in accordance with the relative value of gold and silver in Europe. It is not easy to say what is that relative value, but, taking the price at which standard silver has lately been quoted in London 60% per owner may be assumed to be

about its present average price At that price of silver, fine gold is to

fine silver as 15 618 to 1, and the exact value of the sovereign containing 113 0001 grains of fine gold is metal for metal, Rs 10-11-2.

- 6. But, if the English sovereign be adopted as the unit of the gold eurreney of this country, it will be necessary, I imagine, to extend its comage to the Indian Mints, and to allow sovereigns coined in any of the Royal Mints, whether of London, Australia, or India, to circulate promiseuously and on equal terms. In that case, as neither at the London nor at the Sydney Mint is any mintage charge imposed on gold, the seignorage one per cent which is now charged for the comage of gold at the Indian Mints will have to be abolished, and allowance must be made for this in reckoning the value of the sovereign in rupees.
- 7. As the effect of the seignolage is to make coins of higher value than the metal of which they are composed by a sum equal to the seignorage on their coinage, this, in the case of sovereigns paying no seignorage, must be taken into account in calculating their value in rupees paying two per cent, and the proportionate value of the metals in the coins

in India will be changed from 15 618 to 1, to 15 305 to 1, and the equivalent of a sovereign in rupees, as eulieney

in India, will be Rs 10-7-8 If, then, the seignorage of gold be abolished, and that on silver retained, Rs 10½ will be almost exactly the value of a sovereign in India at the present price of silver, and there is no reason to doubt that, if their exchangeable value were fixed at that rate, sovereigns would be largely thrown into circulation, and gold be as readily sent to the Indian Mints for comage as silver

8 But if, instead of coming and legalizing the circulation of the English sovereign, it be wished to introduce a standard gold piece of such weight as shall cause it to circulate as the equivalent of ten rupees at the present price of silver in the London market, the object would be attained, were there no seignorage on either metal, by issuing a com-

which should contain
$$\frac{165 \times 10}{15618}$$
 = 105 647 grains of fine gold, and 9 604

grains of alloy, and, therefore, weigh 115 251 grains of standard gold. Taking, however, again into account the differential seignorage that is charged for the comage of the metals at the mints, namely, one per cent

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• 89: 08: : 16:618: 15:400.
then
105: × 10
16:400
Alloy 9:709
110:429 grains of standard gold.
† 100: 56: : 15:018: 15:305
then
15:305
Alloy 9:88
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117-607 grains of standard gold.

for gold and two per cent. for silver, the proportionate value of the metals in the coins as currency will be altered, and, to make the gold piece an exact equivalent of ten rupees it will be necessary to increase its weight, as above found, to 110 420* grains or to 117 0141, if the seignomic on gold be abolished

0 It remains to consider the third mode in which gold may be made to take its place in the metallic currency of India by an alteration of the Mint Regulations by which sengnorage is charged. As the effect of sengnorage is I have already said, is to enhance the value of the coins on which it is charged beyond the value of the metal of which they are composed by exactly the amount of that sengnorage it is evident that a value may be given as coin to the silver of which the rupes is composed more or loss in excess of its value as bullion by a sum exactly proportionate to the sengnorage. In the coinage of India, as at present, the quantity of fine gold to fine silver in the coins is as 15 to 1 but the value of the two metals in the coins, owing to the difference

198 : 99 15158. 198 100 : 15708. of one per cent in the rate of segmenage is really as 15 153; to 1 By simply abolishing the one per cent charged on

the comage of gold, while retaining the two per cent charged on silver, these proportions will be at once altered to 15 3085 to 1

10 But as the proportionate value of the metals in the coins may be increased in the same manner to any extent, without interfering with either their weight or fineness by adding to the charge for the mintage of silver, leaving gold to be coined free the desired proportion at value may be given to the coins by simply mising the seignorage on silver. Thus the value of fine gold to fine silver being as 15 to 1, and the quantity of the metals in the Indian coins being as 15 to 1, the rate of seignorage to be imposed on silver, to raise the value of

15-618: 15 100 96-612. then 100—60-012≈8 258. that metal in ten rupees to the value of the gold in the ten rupee standard gold piece This would produce premely

of 120 grains, will be 3 958 per cent. This would produce precisely

the same effect as if the ten-supee gold piece of 120 grains were reduced in weight to 116 429 grains, while the rates of seignorage remained as at present, or to 117 607 grains if gold were coined free of charge.

- 11. If then, by an alteration of the law, seignorage on gold be abolished, and a charge of 4 per cent instead of 2 per cent be levied on the coinage of silver, quite sufficient encouragement would be given to the bullion importer to send gold as readily as silver to the mint for coinage, and there would be nothing to hinder the gold mohur and its sub-divisions, the ten and five-rupec pieces, enculating freely, and maintaining their position in the currency at their denominational values
 - 12 The conclusion arrived at may be briefly stated —

I That the English sovereign, at the present price of $60\frac{3}{8}d$. per ounce of standard silver in London, would probably circulate freely if it be made a legal tender at the rate of Rs $10\frac{1}{2}$, (or more correctly Rs 10-7-8), and that, if the seignorage on the coinage of gold be abolished, while that on silver is retained, gold will be sent to the mint for coinage into sovereigns at that rate as readily as silver for coinage into rupees

II That a standard gold piece may be coined at the Indian Mints of such weight as shall represent the exact value of ten rupees in silver at the piesent piece of silver in London

If no seignorage be charged on the comage of either metal, the weight of that gold piece would be 115 251 grains

If the present lates of seignolage of one per cent on gold and two per cent on silver be maintained, the weight would require to be 116 429 grains, and

If the one per cent on the comage of gold be abolished, while the two per cent. on silver is retained, the weight would need to be 117 607 grains

III That, as raising the seignorage on the comage of one metal has practically the same effect in altering the relative value of the coins as currency, as reducing the weight or fineness of the coins of the other metal, the equalization of the value of the Indian standard gold coins with their equivalent in rupees may be effected by abandoning the seignorage on gold and imposing a seignorage of 4 per cent on silver. By this means the Indian gold coinage might be made to circulate readily at its denominational value, and it would be no more advantageous to the merchant to import one metal than the other

13 The calculations on which these conclusions rest, are based on the assumption of silver bearing a certain fixed price in the markets of Europe. This we know is not the case, and it follows that no relative value

that may be put on the metals in the Indian coins can have a lasting effect in equalizing their exchangeable value, or of maintaining them in circulation on equal terms. It is perfectly hopeless to accomplish this object while silver has a changeable price relatively to gold, but the metals may be maintained in circulation at par according to their denominational values in the coinage of India, and sufficient encouragement be given to the mintage of gold, if a mintage charge be levied on silver which shall vary with the varying price of that motal

14 As it has been shown in the early part of this memorandum how silver came to be displaced from the position it occupied in the enriency of France, it may be added that, if the price of that metal fall only a little more, it will ogain become so much cheaper a tender of payment in France than gold as to be generally preferred. In that case, unless the monetary laws by which the ratio of the metals in the double comage of France are fixed, be altered, nothing is more certain than that gold will leave that country for the purchase of silver, just as silver was experted before for the purchase of gold. Should this happen as in all probability it will, socing that the tendency of silver is to become cheaper, from causes which it is not necessary to discuss here, the gold set free will be avail able for the supply of this country without creating any financial disturbance, and will no doubt be largely imported for transmission to the mints, if in the manner above indicated, or in any other, the value of the metals in the Indian comage be regulated to correspond with their relative value in the great bullion marts of London and Hamburgh at the price of the day

From C A. Liambon, Esq., Secretary to the Chamber of Commerce Madras to the Secretary to the Government of Port St. George dated 5th October 1868.

On behalf of the Chamber of Commerce I have the honor to acknow ledge receipt of the Proceedings of the Madras Government in the Finan call Department, dated 6th August 1868 No. 367, forwarding letter from the Secretary to the Government of India relating to a gold currency for this country and to give the following replies to the two questions proposed in the 16th paragraph of that letter

It having been found that the sovereign rated at Rs 10 will not be presented at Government treasures and as in the opinion of the Cham ber, the chief advantage to be looked for from its introduction committed in having a coin ready to hand and well known in India, they consider the confusion in accounts and the general meonvenience which would be sure to follow the adoption of another rate as its equivalent value to Rs. 10 would far outweigh any considerations that can be adduced in favor of such a change. The Chamber, therefore, are not prepared to recommend that a further attempt should be made to encourage the circulation of British and Australian sovereigns in British India by fixing on another rate than Rs 10 as the equivalent for the sovereign

In reply to the second question, "At what standard value should ten-rupee gold pieces be coined," the Chamber are of opinion that the standard of value as fixed by Act XVII of 1835, which was also approved of by the Currency Commissioners of 1866, is not that which That standard is the averaged equivalent value of should be adopted. the two metals, silver and gold, for a number of years; and, since the date of the Commission of 1866, gold has risen in value and has a tendency to rise still further, which, if a gold currency were introduced into India, would be increased—gradually perhaps, but sensibly—to a degree that would make the recommendation of the Commissioners inoperative, because in that case the market for gold would be enlarged and that for silver curtailed, both causes tending to raise the price of gold as compared with the present standard of value. The Chamber consider that to fix, as has been publicly suggested, on something below the present recognized commercial par of the two metals—say 109 grains of gold and 11 grams of alloy as the standard value of the ten-rupee gold piece, would not only insure a steady influx of gold into India, but also attract to the Mints the vast amount of metal that has accumulated in the country, at the same time making allowance for the rise in the price of gold and facilitating the transition from a silver to a gold standard of value.

As regards the description of gold coins to be introduced into India, the Chamber have no doubt that ten and five-rupee pieces will be found to be the most desnable. The latter would not fail to prove of great service in a country like this, where transactions between the natives are mostly for small amounts.

In conclusion, the Chamber would desire to express their decided conviction that, if the Government should decide on coming gold pieces of the above value, they should be made a legal tender throughout the whole of British India from the time of their first introduction. 462

From the Hon'ble V RAMITMANN, Superintendent of Stamps, Madras, to the Chief Secretary to Government, Fort Saint George, dated Oth Octo-Arr 1808

I have the honor to acknowledge the receipt of the Proceedings of the Madras Government, dated 6th August last, No 867, communeating copy of a letter from the Government of India, calling for opinions on certain points relating to the question of the introduction of a gold currency into India.

2 After referring to the netification of November 1864, issued, declaredly, with the view that "the exculation of British and Australian sovereigns in all parts of British India should be encouraged and facili tated, ' and after adverting to the cause which has apparently operated to render this notification inoperative, the Government of India inquire whether "the equivalent of ten rapecs offered for the soveraign in 1864 should be revised, and, if so, what exactly the new rate should be " It appears to me that, so long as the sovereign is not declared a legal tender, and does not become a part of the currency of the country, it is impossible to fix the rate of equivalent with the precision which shall answer the intended purpose. I have not the Price Currents at hand to refer to but the value of the sovereign as a marketable commodity fluctuates considerably Recently, it has risen high, and the average market price during this year may, I think be taken at Rs 10} Suppos mg the equivalent to be offered by Government was fixed at Rs 101, no one would pay half a sovereign into any Government Treasury so long as the market price continued at its present rate, or, indeed, so lone as he could get Rs. 10 8 6 for his sovereign in the barnar, and of course. if none were paid into the treasury, there would be none to get from it. If, on the other hand the market price fell below Re 101 people would be glad to offer at the treasures any number of sovereigns at that rate, but, once received they would remain there and there would be no way of disposing of them, unless the price rose to par ; e, Rs. 101 or above it. So that, fix what rate we may I think it will not answer so long as the market price varies, which it must in the nature of things and a measure of the hunted and partial character untiated by the Notifica tion of November 1864 must, it seems to me, remain nugatory gold was declared a legal tender, and it became a part of the currency the public would certainly look to, and be influenced by, its superior convenience as a measure of value when realizing dues from the public treasures or other sources, but where the Government undertakes to

"whenever available," and where the coin as a marketable commodity fluctuates in price, it is difficult to see how sovereigns can be received or paid freely from or into the Government Treasuries when the bazaar price deviates either way from the fixed rate

- 3 The next point on which the Government of India call for opinions is the expediency or otherwise of putting in force section 7 of Act XVII of 1835, and of withdrawing Lord Dalhousie's proclamation of 1852, which prohibited the receipt into the public treasuries of any gold coins on account of any payments due to Government This would have the effect of restoring matters to the state in which they had existed under the Notification of the 13th January 1841, under which gold mohurs, struck in conformity with Act XVII of 1835, were freely received at public treasures at the rates indicated by the denominations of the pieces, until they had passed certain limits of fineness set forth in the Notification The Government of India further inquire whether, if gold pieces were to be coined now in India under the Act already referred to, the standard value of the fifteen-rupee or ten-rupee pieces as fixed by that enactment, would or would not be perfectly applicable to the present time and to the immediate future with reference to the change in the value of gold since 1835
- 4 I do not think that the measure here proposed, of cancelling the proclamation of 1852 and of allowing the coinage of gold under Act XVII of 1835, would prove successful in promoting the general circulation of gold coins, any more than the notification of November 1864 has proved effectual in that respect. Such a measure would only permit the issue and receipt of certain gold mohurs from and into the public treasures in payment of dues, and these coins, not being a legal tender or part of the currency, would be as much bullion as before they were coined, and would not be freely received or paid so long as the market value of gold varied from the standard value at which the pieces were coined. It would be as futile as it would be difficult to fix a standard value which shall answer under all the varying conditions which affect the price of gold as an article of merchandise.
- 5 But, even supposing that it were possible to do this, and that the measure was likely to be attended with success, I am not clear that it would be desirable to adopt it Having regard for our intimate relations with England, Australia, Ceylon, and the Mauritius, where the sovereign is in use, and whence such large quantities of it are imported, I do not

think it would ultimately prove a convenience to have any coursely different from the sovereign

- that, if it is 8 It will have been seen from what has been stated ion that no desired to introduce a gold currency into India, I am of opin The country has half measure towards that object will prove effectual. arrived at that stage in which such a currency is absolutely in has certainly outgrown the state to which her present bulky comage of idered fit for silver and copper may have been adapted. If we are cons a paper currency, which belongs to a still more advanced stage in the progress of improvement, a fortion are we fit for a gold currency coms were a legal tender up to the commencement of the present cen of that year. tury of 1835, when they were demonstrsed by Act XVII muld be but and the introduction of gold into the currency again mparatively returning to the state of things which thus existed up to a recent period. The call for the measure among the native population is almost universal, and the efforts made by Government tow ards respond ang to the popular wish would be cordially seconded.
 - 7 The objections to the sudden introduction of a gold currency are that it is likely to derange the commerce and finance of India, and also probably the money markets of Europe, if they were suddenly drawn upon for the large quantity of gold required to carry out such a change. I do not think however it will have this effect, because the re is already a free and uninterrupted flow of gold into the country from various channels.

Our large belance of exports is annually paid for in fold and silver

Our large emigrating population to Ceylon and the Mauritaus bring their accumulated savings in gold sovereigns, which are it madrae.

There is an enormous quantity of gold in the country in the shape of ornaments and gold bare, and in hoarded sovereigns and verify added to by a constant inflax of the precious metal.

The wealth of the cotton merchants of Cuddapah, Kurnool is locked up in gold bars, which they eagerly buy up from the banks at the presidency and bury under the earth for security

In the southern districts of Tanjore, Madura, and Inmevelly, the mercased wealth of the people, consequent on the high prices of agricul tural produce and the increased prosperity of the country, is seen in nothing so much as in heavy gold ornaments

Altogether, the Currency Commissioners compute the amount of gold now in India at one hundred and twenty millions—an amount not far short of the entire produce of the Australian mines since their discovery, and state that this is being added to at the rate of five millions annually.

- 8. With such a large store of gold in the country, constantly added to by an annual influx, and the whole of which is now excluded from the currency by the Mint Regulations, I do not think there will be any serious disturbance of foreign markets. It is more by depending upon silver alone and banishing gold from the currency that the markets of Europe are disturbed, masmuch as they have to be periodically swept of silver for transmission to India, which causes violent oscillations in the foreign exchanges.
- 9. But the change from silver to gold will not be altogether sudden. In the transition from the one to the other, I presume the country will pass through a double standard. At first, as the existing rupees will also form a part of the currency, it will be open to the public to pay existing contracts in silver, the coin in which the contracts were originally made, but, as rupees will not be re-issued from the Mint, and its comage regulated by the Government as copper now is, a high seignorage duty being put upon it to prevent its being exported or melted down, gold will gradually supersede silver in the currency, and the latter subside into a token comage, and the change will have been effected without any undue violence to, or interference with, existing contracts.
- 10 For these reasons, I would declare gold sovereigns and half-sovereigns a legal tender at 10 and 5 rupees, which is their declared official value, and authorise their coinage and issue from our mints at those rates, the coinage of silver being regulated by Government in the same way as copper on the principle of the English currency

Dated 30th November 1868.

MINUTE-By the Hon'ble A J Arbuthnot

In the letter from the Financial Secretary to the Government of India, under date the 30th June last, the attention of the Madras Government was called to the question of introducing a gold currency into India, which is now again engaging the attention of the Governor General in Council, and we were asked to give our opinion and those of any selected gentlemen, who from their experience might be experts in the matter, on the two following questions —

1st — Whether the rate of ten rupees, at which, under the notification of November 1864, English and Australian sovereigns are receiv-

able at the public treasuries, should be revised, and if so, what the new rate should be?

2nd —At what standard value should ten rupee gold pieces be coined, supposing such coinage were resolved upon

- 2 It was stated in the letter (paragraphs 13 and 14) that at present the Gevernment of Iudia is hardly prepared to recommend the declaration of any gold coins as legal tender, but that it would be open to the Government of Madras, or any of the gentlemen who might be consulted, to advance any special reasons in support of such a declaration, should they seem fit to do so
- 3 The Financial Secretary's letter was referred to Mr Sim, 2nd Member of the Board of Revenue, to the Mint Master, Colonel Carpen dale and to two of the ablest native officials in this presidency, the Honorable V Ramiengar and C Runga Charleo Colonel Orr, the Secretary to Government in the Public Works Department, and who was for some years at the head of the Madras Mint, and is a high authority on currency matters, was subsequently invited to give his opinion on the general question of the introduction of a gold currency
- 4. We have now before us the replies of the several gentlemen who have been consulted, except that of C Runga Charleo, whose enerous datase at Mysore have, doubtless, put it out of his power to comply with our requisition.
- 6 It appears to me impossible to read these papers, in connection with the discussions which have already taken place on this subject in former years, without arriving at the following conclusions—

1st —That any tentative measure of the nature of that suggested by the Government of India for promoting the enculation of English and Australian sovereigns in India by receiving them into and poving them out of, the public treasuries at a rate to be fixed in supersession of that laid down in the Nothleation of November 1864, would be a very unsatisfactory solution of the difficulties which have hitherto prevented the re-introduction of a gold currency into India and would be practically inoperative unless the sovereign were declared to be a legal tender at the rate fixed on and unless such a modification was made in the Mint Regulations as would admit of the segnorage on the comage of silver being varied from time to time according to the rise or fall in the value of silver in relation to gold.

2nd —That whatever method be adopted for introducing a gold coin ago, the imposition of such a varying seignorage on the silver coinage

will be essential, at all events at the commencement, and until gold shall have so far taken the place of silver in the currency as to justify the Government in placing the latter coinage upon the footing of a subsidiary or token coinage, in order that the gold coin may maintain a fixed value in relation to the silver inpec

3rd —That it is absolutely necessary that whatever gold commay be introduced shall be declared to be a legal tender

6 The reasons which render it necessary, in the event of a gold currency being determined on, whether the coin selected be the English and Australian sovereign, or a distinct gold coin nearly an equivalent of 10 supees at the present relative value of gold and silver, that there shall, for a time at all events, be a varying seignorage on the comage of silver, are clearly stated in Colonel Oir's memorandum. They are briefly these that the value of silver in relation to gold constantly varies, and at present has a tendency to fall, that monder that the relative value of the two comages may be maintained at a fixed standard, it is necessary, either that the seignorage imposed on one of the coinages shall be altered from time to time to counteract the effect of the changes which take place in the relative value of the two metals, or that the intrinsic value, that is, the weight or fineness of one of the comages, shall, from time to time, be changed, or that the exchangeable value of one of them shall, from time to time, be altered The last of these three processes is that which is practically involved in the adoption of the first suggestion made in the despatch now under consideration, but it is proposed avowedly as a tentative measure, and there can, I think, be no question, that it would cause much confusion in accounts and great general inconvenience The second may be dismissed with the remark that it would be practically impossible, and there only remains the first, viz, the imposition of a varying seignorage on one of the two coinages, which is apparently the only convenient mode of meeting the difficulty arising from the variations in the relative market value of the two metals.

7 In regard to the question of declaring any gold coin that may be introduced a legal tender, it appears to me essential that this should be done, if it be only to counteract in some measure the well-known tendency of the people of this country to depreciate the value of coins of large denominations. It is probable that, whatever gold coin might be introduced into the currency without being made a legal tender, in many parts of the country batta would be charged on every such-coin, when tendered in payment of a debt. Moreover, it is very doubtful

whother any com not a legal tender, and consequently not a part of the legally current comage of the country, would command that confidence which would enable it to pass from hand to hand, and which is essential to the effective circulation of any form of currency, whether it be gold, silver, copper, or paper In reference to this point, Colonel Smith observes that, before the Act of 1835 was passed, the 15 and 10 rupce pieces which were then legal tender, though not demandable, circulated freely, and were taken without hesitation, but that lately severeigns hold by the Govern ment of India, although their oxchangeable value was superior to 10 rupees could not be got rid of from the public treasury at that rate, and were sent home to England. It was, I think, correctly laid down by Mr Massey in his Minuto of the 2nd February 1866, as an axiom which must be accepted, that if a gold currency were to be introduced "nothing short of the recognition of the sovereign or some other denomination of gold com as a legal tender would suffice." The same opinion is expressed by the Madras Chamber of Commerce in their letter of the 5th ultimo, and also by the Bombay Chamber in their letter of the 14th September

8 Subject to the two essential conditions above adverted to ere, that a varying seignorage shall be imposed upon silver, and that whatever gold coin may be adopted shall be declared a legal tender, it appears to me that there will be no serious difficulty in introducing a gold currency by one of the following methods—

Either by declaring the English and Australian sovereign and half sovereign to be a legal tender at 10 and 5 rupees respectively, abolishing the seignorage on gold and raising that on silver by such a varying percentage as may from time to time, be requisite so to adjust the relative exchangeable value of the two comages as to encourage the importation of gold and its delivery at the mints for comage.

or by coming gold pieces more nearly equivalent to 10 and 5 rupees at the present value of silver, providing at the same time for the imposition of a varying seignorage on the latter coinage.

9 The first of these measures has been recently advocated by three officers of considerable experience in currency questions, Colonel J T Smith formerly Mint Master at Madras and Calcutta successively and Colonels Hyde and Ballard, the present Mint Masters at Calcutta and Bombuy It has the great practical convenience of introducing into India the coin which is muse in those countries with which India has its most intimate relations. One objection to it is as Major Chemey remarks in his recent work on Indian polity, that it would cause a rise

in the value of the silver comage and a consequent fall of prices, and that the holders of the existing silver currency would benefit at the expense of the general community by the amount of the seignorage imposed on the new silver currency. The exchangeable value of the rupee would certainly be raised by the enhancement of the seignorage, and prices would fall in proportion; but the fall, as Colonel Ballaid shows, would be very gradual, and would scareely be appreciable. It would be as nothing in comparison with the rise of prices which has taken place of late years. It would probably be less than that which would be caused by any great extension in the circulation of the paper currency.

10 Another objection which I am aware has been advanced, and which, though not expressly stated, was probably one of the objections in the minds of the Bombay Chamber of Commerce when they designated the artificial methods proposed for laising the value of the rupee by raising the seignorage on the silver coinage as hardly less objectionable than an actual merease to the intrinsic value of the tupee, is based upon an idea that the measure would affect exchanges by raising the rate of exchange in the case of bills drawn in London upon India, and lowering it in the case of those drawn in India upon London ing to the latest quotations, the price of silver in London was 601d., while the Secretary of State's and mercantile bills were selling for 1s. $11\frac{3}{8}d$ per rupee Now the rupee contains silver worth only 1s $10\frac{3}{8}d$, when the price of that metal is $60\frac{1}{4}d$, and it follows that bills on India were selling in London for some four per cent more than their equivalent of bullion. The difference is accounted for in a great measure by assuming that the purchasers of the bills took into consideration the cost of sending out bullion about two per cent, and the seignorage of two per eent now charged at the Indian Mints for the mintage of silver It thus appears that the effect of seignorage on silver, so long as that metal continues to be the measure of value, and so long as the rupee is the money of account, is to enhance the cost of iemitting money to this country, and that if the present seignorage on silver of two per cent. were laised to six per cent, which would be necessary in order to admit of the sovereign being brought into circulation at the exchangeable value of Rs 10, the price of bills on India would be raised also by four per cent, or to 2s $0\frac{s}{8}d$ per rupee when silver is $60\frac{1}{4}d$ per ounce, a serious consideration so long as the balance of trade continues to be in favor of India, if the effect adverted to were likely to be of lengthened or indeed of any duration, but those who advance this objection would seem to have overlooked the fact that, so soon as the sovereign

had taken that place in the currency which the advocates of its introduction desire to obtain for it, it would become the real standard of value, even though the rupee like the frame in France continued to be the money of account. Thus, supposing the sovereign to be a current coin in India at the exchangeable value of 10 rupees, and that there were no seignorage on the coinage of sovereigns a merchant in London having to remit the sum of Rs 10,000 to Madris, would make his remittance not in terms of rupees, but in terms of sovereigns, either by remitting 1,000 sovereigns or bullion of that value, or by obtaining a bill of exchange for that sum, and in the latter case the rate of exchange would be determined mainly by the cost of remitting specie or bullion. The remittance would be made in terms of sovereigns but if the rupee were the money of account, it would be entered in the accounts of the person who received it as a remittance of Rs 10,000, as he could at any moment exchange the 1,000 sovereigns for Rs 10,000.

11 Another objection which has been advanced, though it is not urged in the papers now before us, and which I may remark would apply with equal force to the introduction of the sovereign into the Indian currency on any terms and still more to the adoption of an international coinage which of late years has been advocated in Europe, is the alleged

[&]quot;The following table shows the net arbitrated par of exchange that will thus be established if the sovereign be made a legal tender at Rs. 10 in India, and, instead of the exchange with India being quoted at the unitelligible rates of so many shillings, pence and eighths per ropes, bills on India could be sold at a discount varying from two to three per cent, which is easily understood by all and could be readily calculated without the aid of cumbersome tables of exchanges.

Charges at	Arbitrated par of	Arbitrated per of	
per cent.	Exchange per	Exchange as	
	Eupec.	Discount of	
1	24 43	1.98	
21	24-60	2:43	
3	2173	2-92	

[•] Since the above was written I have seen an article in the Monry Market Review dated the 24th October lart, pages 886 and 886, the following extract from which access to support the theory which I have here ventured to advance ---

[&]quot;If the sovertign be declared legal tender at Rs. 10, an arbitrated par of archange between India and England will be established that will not fluctuate with the rise and fall of silver bullion in the London market, and thereby the intricacies of commercial exchange between the two countries, created by bankers and bullion dealers only for their manifest advantage, will be avoided; for the par of exchange will mainly depend upon freight, in surance and brokerage, which, being once settled, will emitions fixed for long periods, at a rate between three and two per cent, or less according as England or Australia may export the sovereign to India.

risk of a sudden and large demand for sovereigns, for exportation from England to India, on the occasion of a monetary erisis in the latter country. It is argued that in ease of a pressing demand for eoin, sovereigns might be exported from England to India in preference to bullion with the view of avoiding the delay which the process of assaying the bullion necessarily involves, and to such an extent as to cause serious inconvenience to the English public. The contingency is one which, doubtless, ought to be considered, but it is difficult to suppose that it can have been altogether overlooked by those who have recommended the sovereigns as the standard of value for India, or by those who have advocated the introduction of a universal currency to be adopted by all the nations of the civilized world. It is, I imagine, one of those cases in which the probable and almost certain conveniences of the course recommended more than counterbalance any possible meonveniences that might occasionally arise

- 12 The only objection to the plan of adopting a distinct gold coin for India, is that it would postpone, for an indefinite period, the extension to India of the convenience of having a gold coinage similar to that which is said to form half the gold coinage of the world, and which is the coinage in use in those countries with which India is most intimately connected in its commercial and political relations
- of value at any rate other than ten rupees, is the confusion it would cause in accounts. This objection is adverted to in the letters from the two Chambers of Commerce, and it appears to be generally shared in by mercantile men. Since these papers came before me, a resolution has appeared in the Gazette of India, intimating that sovereigns will, until further notice, be received into, and paid out of, the public treasures at Rs 10-4-0, but at the present price of silver, it is difficult to conceive that this measure will be more successful than that adopted in 1864.
- 14 Reverting to the two questions propounded by the Government of India, I think that in reply to the first it may be safely asserted that Rs 10-8-0 is the lowest rate which at the present price of silver and with the present rate of seignorage, would bring sovereigns into circulation, but it appears to me to be very doubtful whether, even if this rate were adopted, the measure would succeed, unless the coin were declared to be a legal tender
- 15 In regard to the standard value at which the rupee gold pieces should be comed, supposing such coinage were resolved on, I think that for the reasons stated in Colonel Oir's memorandum, the ten-rupee gold

pieces should be of 120 grains, of which one twelfth should be alloy, such additional seignorage being imposed on the coinage of silver as will encourage the importers of bullion to import gold for coinage

16 On the whole, however, I am disposed to think that to declare the sovereign a legal tender at ten rupees, imposing at the same time such an enhancement of the seignorage on silver as may be requisite to bring the sovereign into circulation at that rate, is the best and most convenient method of introducing a gold coinage that, under present circumstances, can be devised

17 In the foregoing remarks I have not deemed it necessary to enter into any discussion of the question whether a gold currency is really needed to meet the monetary requirements of India. That such a currency is a great deaderatum is now admitted almost universally, and this being so, I would observe that the present time, when the price of silver is comparatively low and its tendency is apparently to fall, appears to be a peculiarly favourable time for the introduction of a gold currency, for the comparative cheapness of silver in relation to gold renders it much more easy than it otherwise would be to reduce the silver currency, by means of an enhanced seignorage on all future connages of silver, to the position of a subsidiary or token currency, a process which is absolutely necessary if gold is to take that place in the currency which appears to be desirable with reference to the increasing wealth of the country

A. J ARBUTHNOT

MYRUTE-By His Excellency the Prendent, dated 7th December 1868

I experience little difficulty in offering an opinion in connexion with the two 'main questions and the subeidiary question propounded by the Government of India. My views on these specific points coincide with the views of Mr Sim. I differ from him in regard to the general question of the expediency of introducing a gold coinning for India.

2 In my humble judgment it is unadvisable to fix any value at which sovereigns will be received at the public treasuries. It is expedient, I think, that the public revenues and dues should only be received in legal tender. The Government ought not to take them in a commodity of fluctuating value. It is impossible to fix a rate at which the sovereign can be accepted with certain benefit to Government. The rate will either be too low or too high. In the former case the sovereign will not be tendered, in the latter the Government will lose by accepting it. Since the present queries were sent out by the Government of

India, a practical reply has been given to this one by raising the rate at which the sovereign may be accepted from Rs. 10 to Rs. 10-4-0. I do not think that the change will draw any considerable quantity of sovereigns to this market, or mobilize any considerable portion of those which are lying stagnant in the country. Some animation may be given at partieular moments to the circulation of sovereigns at the centres of European trade, that is all. If the Supreme Government earnestly desire to stimulate the importance of sovereigns, and give them eurrency, I hold that the rate should be fixed at once at Rs 10-8-0, but I would not incur any risk, or violate a principle for such a purpose The only legitimate and reliable method to make gold a useful medium of exchange is by making it a legal tender. It appears to me inopportune to nibble at this important question to attack a great interest with small expe-We shall persuade ourselves that we are doing something when we are doing nothing, and this fallacious activity will defer real resolu-Another objection to fixing a rate at which sovereigns may be received at Government Treasuries is this, we have two kinds of sovereigns which will certainly bear different values in India until they are made of the same color, or receive the stamp of legal tender ment may indeed accept two commodities of different values at the same price, but Government cannot dispose of them at the same piee, and it would be inexpedient to recognize that the Austrahan sovereign has one value and the English sovereign another

3 In contemplating the coinage of gold ten-rupee pieces I understand that the Government of India do not intend to make them legal I am accordingly constrained to affirm that they ought not tobe comed at all. The question of the standard value at which they ought to be comed thus falls to the ground To issue ten-rupee pieces without the quality of legal tender would be to make the best innovation in the worst foim, and to lame the experiment before you launch it. It would be like cutting the wings of a bird that you wish to fly. rupee pieces, without the vitality and stability which are conferred by legal tender, would indeed have some advantages over sovereigns, they would sometimes be an exact multiple of the common coin, and would, therefore, be more convenient for vulgar use, and they would be less available for exportation, yet I cannot doubt that the greater part would join the mohurs and pagodas which adoin the persons and enrich the hearths of the Hindoos Even a new gold coinage possessing all the virtues of legal tender would at first be extensively hoarded be necessary to saturate the soil before the water would run off

a timid usue of tentative pieces would nover move at all. It would be a still born issue, and the failure of this partial experiment would cast discredit on the great experiment which we have at heart. I also cuter tam a strong ropugnance to the comage of these projected ten rupce pieces, without the quality of legal tender, on the ground that the general decision respecting the character of a legal gold comage for India would thus be partly anticipated and prejudged. A march would thus be stolen on the advocates of the sovereign. It may eventually be andged necessary to usue an independent gold comage for Indus different from the sovereign in value, but I would only arrive at that conclusion and take that momentous step on the maturest deliberation and in cou noxion with the restoration of gold to the status of a legal tender however, the Government of India, in their superior judgment, should determine to pass a certain amount of gold through the Mint and stamp it in the shape of ten rupee pieces I would give them the standard which would represent the relative value of the procious metals in London at the present date, which I understand to be nearly the same as that which existed in the year 1835. Making due allowance for any seignorage which may be levied on the comage respectively of gold and silver in India, I see no other bans to go upon. No one can predict what modifications the relative value of the precious metals may experi ence in consequence of the increasing production of salver. The depreciation of gold is certainly arrested and nothing would tend to give it permanent stability more than the adoption of that metal as the legal currency for India

4. In regard to the subudiary question stated by the Government of India as to whether the prohibition affecting the gold mohur might be withdrawn I think that it might be withdrawn with perfect safety and without the least advantage I am assured that the mohur is currently worth more than Rs. 15 in this presidency. It will not be tendered at that price at the Government Treasures.

6 Having thus adverted to the specific queries circulated by the Government of India I do not feel inclined to avail myself of the avenue which they have meidentally opened to the discussion of the general question of a gold coinage for India. Should distinct issues be submitted on that subject to the consideration of this Government by the Government of India, it may become my duty to frame an opinion which, I fear would be the recapitulation in inferior language of arguments which have been stated with conspicuous ability in the discussions of 1864. In my humble judgment all the reasons which were then adduced for the introduction of a

gold comage are still valid and applicable, though with less pressing and practical cogency. But a new motive for action has since arisen in the extensive discoveries of silver and quicksilver which have recently occurred, discoveries which threaten to distuib the value of the exisiting currency of this country.

NAPIER.

MINUTES—By His Excellency SIR WILLIAM MANSFIELD, dated 29th and 31st January 1869

The question put by Mr Chapman to-day was to this effect,—

The Indian gold mohur is now selling at a premium of 5 annas in the market.—

Query—When the Mint turns out the gold pieces, should they be passed to the public at par, i. e, at the rate indicated at which Government is prepared to receive them according to the notification, or

Should they be sold to the public for what they will fetch, thus ensuring to the treasury whatever profit may be likely to accrue on their issue?

In answer to this I would say that it appears to me that Government is, on principle, precluded from engaging in banking or exchange operations, to which, in a few words, it may be safely alleged that the taking advantage of the market premium would amount

lst—It seems to me most important that there should be no departure from this principle, now that the initiative measures for the initiaduction of a gold currency or circulation are about to take effect. For if we depart from a true currency principle, we at once become involved in all the considerations of profit and loss incidental to trading transactions. Whereas the idea of a metallic currency rests on the absence of such considerations, in order that the currency may properly perform the function of the representative of value

2nd —The issue and receipt of the sovereign at Rs 10-4 depend on the calculation of its relative value with that of the gold mohur as laid down in the Act of 1835 Consequently, if we sell the gold mohur at a premium because of the preference held by the native community for that coin, while we issue the sovereign according to the notification, we weight the gold mohurs unduly because of a consideration which is apart from its value as reckoned by the gold it contains

When the effect of the new gold comage is felt, the facts will probably soon cure the practical inconsistency in the money market as ovinced by existing prices, but if they should not do so, the inference will be clear, not that we should charge a premium on the gold mohur, but that there is such a demand for Indian gold pieces as to render the duty argent of coming them as fast as possible, in order to supply the public want which is so keenly felt.

3rd—It will be recollected that a few weeks ago the same might be said of the sovereign as now of the gold mohir. In the then state of exchanges, the sovereign was worth about Rs. 10.10. Consequently, if we had then had a supply in the treasury, profit might have been turned by selling them at the market price. But it is now seen that owing to two cause—the effect of the notification firstly, and secondly, the rise in exchange—the sovereigns have been flowing into the treasury at Rs. 10-4, about a tenth of what have been received having been paid out at the same rate, the bazar price of the sovereign being apparently one aman more than the Government rate

When the new gold mehurs have been comed, we can hardly fail to see similar results, out, that the barar rate will assumilate itself to the Government rate, which has been fixed according to the average value of gold in India, as shown by the market rates of a long series of years, and this notwithstanding that the first issues of the gold mehur may cause profits to those who are sufficiently ready to take them up from the Treasury and Currency Department, and be the first to throw them in the market.

But we are degrous that the gold pieces should be taken up and spread over the country. It is most expedient that this should be effected by the flow of the metal according to the public want with as little Government interference as possible. If therefore the money dealers make a profit, at first owing to the great existing dearth of Indian gold coin, it is not a thing to be deprecated, but on the contrary of con gratulation

All that we have to think about in this matter is to keep things as free and unencumbered as possible. It is desirable if possible, that the Currency Department should hold gold as well as savier, in order that it may be able to meet demands on either metal. But no active measures should be taken to compass this end. We should trust solely to the flow of the metal according to the rates stated in our notification.

It may, and probably will, occur, in certain states of the exchange that more of sovereigns will come in than is desirable.

We then have our remedy in the mofusil treasuries and in the mofusul cities, where the importations of gold at the seaports have no immediate effect, and we can always afford to hold a balance of gold in the treasuries in addition to the proportion allotted to the currency reserve. If, on the other hand, the exchange should so fall as to reduce the value of silver in India, in other words, to place the sovereign and therefore the price of gold in the condition of last spring, the currency and minting operations will come to a stand-still for reasons similar to those causes which led to Sir C. Trevelyan's measure of 1864 becoming in fact a dead letter.

W. R. MANSFIELD.

If the table of the average rate of exchange be consulted, it is found that at the time of the change of policy in 1852, the exchange had ruled high against England for some time.

Gold being the English standard and silver being the Indian one, it appears that the price of gold, as shown in the quotation of the sovereign, fluctuates in the Indian market according to the rise or fall of the exchange.

Consequently, if the rates be in favor of England, as for instance, last year, when six months' bills fetched little more than 18 11d to the rupee, the price of the sovereign seems to follow the law just indicated, and to rise in proportion to the rate of exchange being against India.

Thus last year, the quotations of the sovereign stood generally at Calcutta, or, at least, for some months, at Rs 10-10 As the exchange rose in favor of India during the autumn, so the price of the sovereign fell, with the consequence of it thus coming to suit the dealers to sell their sovereigns to the Currency Department at the Government rate

This point, which had already attracted my attention in the previous discussions, and was, besides, dwelt on by Mr. Dickson in one of his recent papers, appears to me to be the positive explanation of the phenomenon noted by the Government of India in 1852, namely, the accumulation of gold in the treasures. The latter circumstance, therefore, was the result of the state of the exchange between India and England—gold not being a legal tender in India—and not of a change in the respective values of the two metals.

A sensible change in the relative value of gold and silver was, in that year, namely 1852, assumed to be a fact both by the public and the Government as a consequence certain to follow on the gold discoveries But the consequence did not so follow, as we are now convinced by the experience of twenty years.

At the same time, although the Government of India may have been wrong in its reasoning in 1852, it is necessary for us to be prepared for such a contingency as that which alarmed the Government in that year, and has since provoked the questions of Colonel Hyde, Master of the Calcutta Mint, and Mr Balfour of the Bombay Bank.

In the first place, then, it may be said that owing to the great in crease of trade and the movement of capital towards. India, gold is now much more of a necessity than it was twenty years ago. Secondly, we have means of distributing gold when in the form of coins, which did not exist in 1852. This can, of course, be done without risk or expense by using the railways which were not then constructed. Thirdly the Currency Department which was not born in 1852, may now hold a quarter of its metallic reserve in gold. Forthly, treasures may judiciously do something of the same sort, care being taken however to lose no opportunity in satisfying the public in the demand for gold coin in other words, in circulating the gold. Fifthly, it may be observed that gold coins will now to a certain extent take the place of iniversal note about which we have heard so much in the discussions on the paper currency but the adoption of which is, in truth, impracticable with regard to the vast distances comprised in the currency area.

Local Transuries and Currency Commissioners on having gold supplied to them either from the Calontta Transury, or in consequence of direct payments in discharge of dues to Government, should ask those who bring their notes for com, or who demand payments, which they would like to take gold silver, or notes, as the case may be.

When the exchange rises so as to cause the sovereign as represented in bills of exchange to be either at Rs. 10 or below as shown by mar ket rates, it will of course flow to the treasuries at the great commercial ports

It will then be for the Financial Department probably to relieve the market, and to do a good job in remittance by sending sovereigns to England in lieu of bills, as we saw in 1854 and again in 1864-65

The effect of coming gold modurs on behalf of Government in large quantities will have to be carefully watched. In addition to this, we must look to the results of the notification namely whether gold is generally taken from the treasuries as rapidly as it is poured in. By this I mean the treasuries at large, and not those only of the sea ports

I should think it would be wise for the Currency Department to hold a certain number of sovereigns at Calcutta and Bombay, and not to send them all to the Mints for re-comage.

In the first place, this would be very convenient for that part of the public which embarks for England, Australia, and China Secondly, it will prevent sovereigns from having a fictitious price in Calcutta and Bombay, on account of the demands of travellers at the moment of embarkation Thirdly, if there should be a glut of gold, the sovereign is a better form of remittance to England than the gold mohur. Fourthly, if all the sovereigns paid into the Currency Department be melted up, the friends of the sovereign may say that it has not had a fair trial in the Indian currency.

The more we consider all the questions involved, the more must we be satisfied that, having retraced the steps taken in 1852, and repaired the error of 1864, we should now go further and correct what was done in 1835; that is to say, that we should have a legal tender of gold with as little delay as possible, according to the terms of value stated in Act XVII of that year

The imaginary difficulties of 1852, which induced the Government to act, and which were admitted by Government to rest on apprehensions of the future rather than on actual fact, were, as stated by Loid Dalhousie's Government, solely owing to the abiogration of the legal tender of gold some years before.

The legal tender of gold having been established, every difficulty will vanish as respects the Government

Ultimately, by following the English plan, and adding to the seignorage on silver coinage, gold cannot fail to take the solitary place it ought to hold in the currency, and so become the representative of value, as it is in France and the United States, although the denomination used in the statement of the public debt and of private habilities will still be that of the old silver piece or rupee, according to the practice of those countries

W R MANSFIELD

MINUTE—By the Hon'ble J. Strachey, dated 30th January 1869

In the last paragraph of the despatch to the Secretary of State, dated the 23rd December 1868, on the subject of a gold currency, it was

^{*} Vide the despatch from the Government of India to Court of Directors, dated 2nd July 1852, No. 36, and more especially paragraphs 8 and 9.

stated that I did not concur in the conclusions arrived at by the majority of the Council, and that the reasons for my dissent would be subsequently recorded.

In October last, I objected to the issue of the notification, by which it was declared that sovereigns would be received at the Indian treasuries in payment of sums due to the Government at the rate of Rs. 10-4 each. The Minnte which I then wrote was accidentally mislaid, and I now wish again to state the grounds upon which my conclusions were founded, and which led me to disagree with the despatch of the 23rd December to the Secretary of State

- 2 From Sir Richard Temple's Minute of the 5th June 1868, it appeared that the main object which he had m view was to carry out Sir Charles Trevelyan's idea of making the sovereign a subsidiary part of the Indian currency. The notification issued by the Government of Indian Movember 1864 declared that it was expedient 'that the circulation of British and Australian sovereigns in all parts of British India and its dependencies should be encouraged and facilitated," and it was ordered that sovereigns and half sovereigns should be received in all the Indian treasures as the equivalents of 10 and 5 rupees respectively. It was stated by Sir Richard Temple that this notification had remained almost inoperative, because the rate at which the sovereign was valued was too low and he proposed in his Minute of the 5th June 1868 to revise that valuation. The revision was actually made by the notification of the 28th October 1868.
 - S I objected to the same of that notafication, because it seemed to me clear that it could have no effect m bringing about the end at which the Government avowedly aimed,—the circulation of soveragns in India as money

If the rate fixed by the Government gives a value to the sovereign above its actual market value in relation to silver sovereigns will be imported and will be paid into the treasures. But in this event the Government will be unable to re-issue them, and they can never come into circulation.

If, on the other hand, the rate fixed by the Government be too low, no sovereigns will flow into the treasures, and there will be none to

4 If it were possible to fix precisely a rate which would represent the present relative value of the sovereign and rapee, then it might be anticipated that so long as that value remained unaltered, sovereigns might come into enculation and remain in circulation. But as it is not proposed to make the sovereign a legal tender, it would have only a bullion value; and as theory and experience alike show, this value must constantly fluctuate. Any fluctuation in the value of the sovereign above or below the rate fixed by the Government, exceeding a certain small margin, must, necessarily, lead, on the one hand, to the withdrawal of the coins from circulation, or, on the other hand, to their accumulation in the treasures

Exactly the same conclusion will apply to all other gold coins, whether they be comed under the law actually in force in India or not; unless they be made a legal tender, and unless at the same time they be so rated in relation to the silver coin as to prevent their being sold as bullion, they cannot remain permanently in circulation. No coin that is not a legal tender can have any other character than that of an article of ordinary merchandise—not, indeed, even af it be made a legal tender will it lose that character. If the currency consist of coins of two metals, nothing can prevent the eventual disappearance of one of them, unless some system of a subsidiary token coinage, like the silver comage of England, be adopted.

- 5. Although the notification of the 28th October 1868 declares the primary object of the Government to be the introduction of the sovereign into the Indian currency, it appears, from Sir Richard Temple's Minute of the 5th June 1868, and from the despatch of the 23rd December to the Secretary of State, that the real intention is to obtain by this means gold for the comage of new gold pieces under Act XVII of 1835.
- that gold can be obtained by such means, and that this is the best way of obtaining it, and that such new gold pieces could at the present time be comed to a large amount without loss to the Government, it seems to me certain, for the reasons already stated, that these coins, not having been declared a legal tender, either could not come into circulation, or could not remain in circulation. But if the first condition of making the coins a legal tender were complied with, would it really be possible to keep gold pieces coined under the Indian Act of 1835 in circulation? I believe that this would certainly be impossible, because the second condition that the gold and silver coins must be properly rated in relation to each other, would not be fulfilled.

7 The proposition to coin gold under Act XVII of 1835 was, I believe, first made by His Excellency Sir William Mansfield in his well-known and valuable Minute of Maich 1864

His Excellency showed that the market value of gold in Iudia, pre viously to the gold discoveries, had been considerably higher than the value assigned by the Act of 1835 He stated that the value of silver under that Act is 5: 21d the ounce "Mr Wilson" (His Excellency observed) " estimated the value of silver, and doubtless with correctness, to have been about 4s 11d prior to the gold discoveries. At this price the sovereign is worth very nearly Rs. 11; the British gold mohur, struck to represent Rs 15, heng on such terms worth more than Rs. 16 Consequently the Indian Act of 1835 declared silver to be worth 31d per ounce more than it really was, as interpreted in the price of gold by the public." His Excellency went on to show that the price of silver had subsequently risen. ' Circumstances he said, "have combined to estabhish the price of silver at about 5: 2d At this present date (March 1864) it is, indeed, higher -it having reached 5: 21d, or closely to the price in dicated by the Act of 1885, with respect to the value of the British gold mohur of Rs. 15 after allowing for mint charges, * * that is to say, the rupee has come to have nearly the value in gold which was formerly but erroneously attributed to it. This being so we are, perhaps, relieved from a very difficult and responsible duty We are saved from entering into a calculation with an intention of re-adjusting the legal equivalents of gold and allver in India. It appears that we may simply take the basis laid down in the Act of 1885 as we find it, and leave it entirely undis turbed so far as this very important part of the question of introducing the legal tender is concerned." His Excellency added that it might, per haps be urged that the price of silver was then exceptionally high and that it could not be maintained, and that the value assigned by the Act of 1835 would be found still to exclude gold as it had done formerly. His Excellency did not share this apprehension. He thought it probable that the higher prices of silver would be maintained but said that if it should be found after a few years that the rates laid down in the Act were too favorable to silver at would then be for the Administration of the day senously to entertain the question of re-adjusting the legal comvalenta."

A similar recommendation to that made by His Excellency Sir William Mansfield in 1864 was repeated in October 1866 by the Commission appointed to inquire into the operation of Act XIX of 1861, of which His Excellency was President. 'The Commission,' it was stated, would draw attention to the fact that the price of the gold mohur, or Government piece of Rs. 15, as fixed by Act XVII of 1885, is as nearly as possible, the average market rate of the price of coined gold of the

present day. That price, as sanctioned by law in 1835, seems to be the legitimate basis on which to found a gold legal tender comage for India, consisting of pieces of 10 and 5 respectively, the 10-rupee pieces having the weight of 120 grams and the 5-rupee pieces 60 grams troy"

- 8 I have referred at some length to the views of His Excellency Sir William Mansfield, because, in the absence of any distinct statement of the reasons which have led Sir Richard Temple to his present conclusions, I presume that the opinions expressed by His Excellency in 1864, and which were repeated by the Commission of 1866, are those on which the late measures have been based
- 9 The real question now before us is, whether the rating of the value of gold and silver under Act XVII of 1835 is a proper rating to accept for a new Indian gold comage which shall have a reasonable prospect of remaining current.

There can be no doubt that gold is, and has been, relatively cheaper in India, as compared with silver, than it is in London The reasons

* Dated Treasury White-hall, 16th September 1864 for this fact have been stated by Mr Arbuthall, 16th September 1864 buthnot in his "Notes on Sir Charles Trevelyan's Minute on a Gold Currency for India" most clearly and exhaustively For facility of reference, I shall quote them at some length —

"On what ground, then, is it supposed that the general law is inapplicable to India, and in what way are we to account for the undoubted fact that gold is, relatively, cheaper in India, as compared with silver, than in London?

"The apparent anomaly is owing to the exceptional position which India holds, and is easily accounted for

"Silver is the standard and the regulator of prices in India, to the entire exclusion of gold as a measure of value. It is so generally in the East. Except in the comparatively small communities of Ceylon, Mauritius and Manilla, and doubtfully in Japan, gold hardly enters into the currencies of the vast regions eastward of the Cape of Good Hope and northward of Australia. It follows that it is, comparatively, depreciated there when measured by the silver money of those regions. The material of that money, purchased with gold in London, must bear the charges of freight, insurance, interest, and mintage, amounting in India to $5\frac{1}{4}$ per cent (as correctly shown in Mr Dunlop's paper), before it can be brought into circulation in India. It is by this silver measure of value, thus enhanced in price, that the cost of the Australian sovereign is estimated in Sir Chailes Trevelyan's Minute

"Remove the impediment to the concurrent circulation of gold with silver, and the cause of this difference of value between the two metals in the West and the East will disappear. The tendency, at least, must be to an equalisation of the general rate

of the bullion market in both quarters. It is, therefore, the price of silver in London and not the price at which sovereigns can be laid down at Calculta from Australia, as estimated in prefent currency of India, which should be regarded as the point for consideration in this matter.

"And this constitutes the main difficulty in devising any measure for the introduction of a gold currency into India. Experience is wanting for a guide. During the first half of the present century there was little variation in the comparative value of gold and allver The normal price of allver of British standard in London was about 60d the ounce. The new discoveries of gold disturbed this relation and the price of silver has of late years been subject to so much fluctuation that it would be difficult now to fix an average for the concurrent circulation of coins of the two metals. But this is not all. Although the ultimate value of gold and silver must, as before observed, be derived from the value of the labor employed in their production, their immediate price is governed by the law of supply and demand to an extent, and sometimes for a prolonged period of time, exceeding that which applies to other commodities. The price of standard silver in London has been mainly influ enced of late years by the abnormal requirements for India. When the demand for transmission of allver thither has been great, the price in London has risen; when it has temporarily ecased, it has fallen-on one occasion even to an extent which touched the point at which it would have been profitable to send silver to France. Any measure, therefore, which would lead to the practical employment of gold in preference to silver in the currency of India would cause a cessation in this demand, and lead to a reaction in the upward tendency which has of late prevailed in its price as compared with gold.

10 I think that Mr Arbuthnot has in this passage summed up al most everything of importance that can be said upon the subject. If we introduce a gold currency into India, the relative prices of gold and silver in the Indian markets will become, approximately the same as the prices that obtain in Europe. If the conditions under which the two metals are used in India be assimilated to those under which they are used in Europe the relative value of the two metals in the two quarters of the world cannot remain sensibly different the quantities of the precious metals in Europe both in actual use and from time to time coming into the market are likely to be so much larger than the corresponding quantities in India, that the European standard of relative value will be that to which the Indian values must constantly tend.

It seems therefore, clear that no gold cours could be struck in India with a reasonable expectation that they would remain for any considerable time in circulation, unless their intrinsic value were regulated by the average relative value of gold and silver in Europe.

11 It is stated in paragraph 4 of the late despatch to the Secretary of State that the standard laid down in Act XVII of 1835 for deter

mining this relative value "is found to be a true and correct one; it has been for many years, and continues to be fixed by a law which is still in operation"

Again, in paragraph 12 of the despatch, it is said, with regard to the value of Rs 10-4 which has been assigned to the sovereign, that, "intrinsically, it is sufficient;" that "it is as much as could prindently and safely be offered," and that "there is no probability of the revised notification remaining, like the former one, a comparatively dead letter"

Now, if these statements be correct, my own views must be altogether wrong. The question at issue is not one of opinion; it is a simple question of fact. The question is, whether the relative value assigned to gold and silver in the Act of 1835 is, or is not, correct at the present time, whether it has been correct in the past, and whether there are reasonable grounds for supposing that it will be correct in the future

12 Act XVII of 1835 assumes that the value of gold and silver is

* By this is meant that as suming 1 oz of standard gold to be equivalent to £3 17-10½, 1 oz of standard silver is, according to the Act. worth one-fifteenth part of that sum, or 62 3d

as 15 to 1. The value given to the ounce of silver by the Act is $5s \ 2_{10}^{5}d.^{2}$ The number of grains of fine gold in a 10-iupee gold piece under the Act is 110. The value of a sovereign containing 113 002 grains of fine gold, expressed in relation to the quantity of

silver in the rupee, is, according to the Act, Rs 10-4-4.

Now there can be no doubt that shortly before His Excellency Sir

† See Tables et p lvi, Vol II, Report of Commission to inquire into the operation of Act XIX of 1861

William Mansfield wrote his Minute, in March 1864, the market prices of silver actually prevailing in London closely approximated to those assigned by the Act of 1835.

In January 1864 the London price was 5s. $2\frac{s}{8}d$ † It is also true that in June 1866, a few months before the submission of the report of the Commission to inquire into the operation of Act XIX of 1861, the price of silver in London was 5s $2\frac{1}{8}d$. If these had been the prices which have commonly prevailed, the conclusion stated in the passage which I have just quoted from the late despatch to the Secretary of State would have been fully justified, but, unfortunately, these high prices of silver have been altogether exceptional

13 I invite attention to the tables showing the average prices of the told to the tables showing the average prices of silver for a long series of years, published in the Appendix to the Report of the Commission to which I have just referred to the tables show that for the

25 years, between 1819 and 1843, the average price of standard silver in London was 4* 11 $\frac{1}{4}$ d per cance, and that the average value of gold to salver was 1 to 15 604

In the 22 years, between 1844 and 1865 the average price of silver was 5s 01d, and the value of gold to silver was 1 to 15 358

In no angle year since 1820 has the average relative price of silver in London been as high as the price assigned by the Act of 1835 and it will be seen from the tables that it has only been on the most rare occasions that such prices have been occasionally touched. Since the Report of the Commission of 1866 was submitted, the average price of silver has shown a tendency rather to fall than to rise. Since July 1866 the price has never gone above 5s. 1d. During the whole of last year it was about 5s. 01d. The recent stoppage of the bills of the Secretary of State on the Government of India appears to have caused an increased demand for silver in London for remutances, and a small rise in the price of silver has taken place the last quotations being 5s. 01d to 5s. 01d.

14 The Financial Department has been good enough to furnish me with the following table. The figures illustrate. I think, in the most forcible manner the facts regarding the prices of silver which I have just been stating.—

Price of after per standard curse continuing 444 gradual fine afters.	Rabilities within of gold to white (I on strandard occ- tables (I of grains from 43-17 lop)	Ember of grains fine spoid in Records piece equal to	Britishing 11 growthy contribute of a served to pold, no repose of 160 grids fine alree.	Epitralent in pense of a repse containing 15 grains fine after
# d. 5 O. 5 O	16-71 to 1 16-95 = 1 16-95 = 1 16-95 = 1 16-95 = 1 16-92 = 1 16-27 = 1 16-14 = 1 16-16 = 1	105-01 105-45 106-29 106-23 106-70 107-20 107-24 106-07 108-51 108-25 109-23 110-27 112 118	H ₄ Rs. A. P 1076 - 10 12 2 1072 - 10 11 6 1067 - 10 10 9 1068 - 10 10 1 1068 - 10 9 3 1054 - 10 8 6 1050 - 10 6 0 1048 - 10 7 4 1041 - 10 6 7 1027 - 10 5 11 1023 - 10 5 2 1029 - 10 4 6 1025 - 10 4 0 1025 - 10 1 0 1006 - 10 1 0	2 22780 22740 22748 22767 22767 22765 23764 23762 2376

15. If the conclusion already stated be correct, that supposing serious measures to be taken for introducing a gold currency into India, the relative prices of gold and silver will approximate to those which obtain in Europe. I think that the foregoing figures show that it is impossible for the Government to coin gold pieces to a large extent, which shall be a legal tender, at the rates laid down in Act XVII of 1835. Take, for example, the price of silver in London according to the last quotations, 5s $0\frac{3}{4}d$. According to this rate, the actual relative value of gold and silver is, in London, 15 52 to 1, according to the Act it is 15 to 1. According to the actual market rate in London, 10 rupees in silver are equivalent to 109 76 grains of gold, according to the Act they are equivalent to 110 grains. According to the market rate, a sovereign is worth in London the quantity of silver contained in Rs. 10-10-1, according to the Act it is worth Rs. 10-4-4

Even if it could be admitted that, in consequence of the present depreciation in the value of gold in India, pieces of Rs 10, containing 110 grains of pure gold, can be comed without loss to the Government—and this, as I shall hereafter show, is not the case—it is clear that any increase in the value of gold would lead at once to the demonetisation of the gold pieces. Now, the introduction of a gold coinage must, necessarily, cause an increase in the demand for gold, and a reduction in the demand for silver, and, therefore, a gradual rise in the value of gold and a fall in the value of silver, there would thus be a permanent and an increasing tendency to prevent the gold pieces remaining in circulation at the value which had been placed upon them

The I am aware that it has been argued that gold might be introduced into India, directly from Australia, at a cheaper rate than from England, and that India might, consequently, hope to obtain its gold at a price which would admit of a relative rating of gold and silver, such as that fixed by Act XVII of 1835. But it must be remembered that the necessary tendency of trade is to seek for the largest possible profits, and that the reduction of price which would be made by the owner of Australian gold would never go beyond the amount which would just suffice to underbid the London seller in the Indian market. It would, therefore, still be true that the prices of Europe would regulate those of India, and that there would be a constant tendency towards an assimilation of the relative values of gold and silver in India and in Europe, although possibly gold might be, to some small extent, cheaper in India.

17 I must now refer to the question of the economic possibility of coining gold pieces under Act XVII of 1835 from gold obtained under the operation of the notification of October last

That notification offers Rs 10-4 for a sovereign. The current market value of the sovereign is quoted at Rs 10-4 to Rs. 10 6. I understand that, as a fact, sovereigns are not procurable at Rs 10-4, and that the number received, until now has been inconsiderable

Again, the present quotation of bar gold, 23 carnts fine, is Rs 15 8 per tolah. The equivalent cost of a full weight sovereign would be Rs. 10 15, so that the bar gold would be about 1 per cent observe than the sovereign But in fact, the sovereigns received by the Government will not be full weight, and I am informed that 122½ grains, which is the minimum legal weight, must be taken to represent the average sovereign received. From this, again must be deducted the loss on the first melting of the sovereigns, which is about 4th per cent making a total loss by deficient weight of 1 per cent. So that there would be a total relative loss on the counting of gold obtained from the sovereigns as compared to bar gold of about 2 per cent.

The calculation of the actual cost of coining new gold pieces shows that, including the minting charge, which is about 1 per cent there will be an absolute less of 142 per cent on the conversion of sovereigns at 122 5 grains into gold modure of Re. 15 at 180 grains.

On the whole it is plain that the Government cannot com gold pieces under Act XVII of 1835 from sovereigns received under the notification of October except at a cost to the State of 1½ per cent. and manusch as such gold pieces would necessarily, be withdrawn from circulation immediately after their issue there would be a constantly recurring and entirely fruitless drain on the treasury in attempting to carry out the proposed measures. My authority for the figures given in this pengraph is the highest that could be quoted—that of Colonel Hyde, the Mint Master in Calcutta.

18 A few words may be said in regard to the quotations of the prices of the various sorts of gold in the Indian markets. A comparison of these one with another is sufficient to prove that they give but an indifferent standard for estimating the true value of gold. The price of pure gold during the last month at Caloutta, determined by the price of English sovereigns, Australian sovereigns has gold, and gold modure has varied as much as 2½ per cent. and this plainly shows that the quo-

tations refer to the sums to be paid for certain coins or descriptions of gold, and do not supply what may properly be designated a correct market value of gold bullion. This is another proof, if proof be needed, of the impossibility of regarding the present market price of gold as a test of its ultimate value in relation to silver, were a gold currency established.

19 It is on these grounds that I object to the notification of October last, and on which I doubt the possibility of applying with any useful effect the provisions of Act XVII of 1835 to the comage of gold I believe that Act, so far as it declares the relative value of gold and silver, to be altogether obsolete—I think that the late measures must be moperative for any useful purpose—I do not believe that they can, in any way, promote the object of establishing a gold currency in India, and I fear that their practical effect can only be to cause delay and to prevent the accomplishment of the objects which are aimed at

that it is now necessary to notice. In the despatch of the 23rd December 1868 to the Secretary of State, stress is laid on the fact that the cominge of gold pieces under the Act of 1835 has been for many years actually going on. It is stated that the "comage of these pieces has been going on to considerable amounts year by year, and is still pieceding," and "that the quantity of these comes taken by the public affords proof of their undiminished usefulness and popularity." It is thus plain that these pieces may be received at the treasures without loss to the State, and with much convenience to the people. Notwithstanding the disadvantage of not being receivable at the treasures, these pieces have, during the period which has elapsed since 1852, been coined at the Calcutta Mint to the value of upwards of one million sterling."

I must express my inability to understand how these views can have been entertained. It is certainly true that gold come continue to be struck at the Indian Mints, but it is well known that those come never come into circulation. In one sense it is true that the fact that the coins are struck is a proof that they are useful. But this is a very partial statement of the facts. The gold pieces thus coined have notoriously had a mere bullion value, and almost the sole practical effect of turning the gold into coin has been to give to the gold a certificate of weight and quality. There is no gold coin now current in India, and the gold piece of the nominal value of Rs 15, coined under Act XVII of 1835, values in actual market value from about Rs 15-4 to Rs 16. I have

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just ascertained that, at the present time, the average price in Calcutta is about Rs 15 5. The possibility of coming, under the Act of 1835, gold pieces which shall pass current at their nominal value in the face of these facts appears to me to be altogether out of the question.

- 21 Although it is not my duty to attempt to initiate measures' which fall within the province of the Financial Department of the Government I think that I may properly take this opportunity of stating briefly the opinions which I myself hold in regard to the steps which ought to be taken to bring about the introduction into India of a gold currency I shall assume that this object is, in itself, desirable, and I do not propose to discuss that part of the question
- 22 For the reasons which I have already stated, I assume that no gold coin can now be struck with a reasonable expectation that it will be retained in circulation unless two conditions are fulfilled firstly the gold coin must be a legal tender and secondly, its intrinsic value must be regulated by the average relative value which gold bears to silver in the markets of Europe

It would be I believe very unwise to commence the coinage of gold with the intention of regulating from time to time the intrinsio value of the gold piece according to the varying value of gold in the Indian market. To do this would involve the necessity of gradually reducing the weight of the gold coin as its value rose with its enlarged use, and the effect of this on the character of the comage would be extremely objectionable. We ought to coin no gold pieces to form a portion of our currency unless we can reasonably expect that they will remain in circulation for a considerable time say for at least 10 or 15 years.

23 The result of coming gold pieces in India, the value of which was regulated by the present average relative value of gold to silver in Europe would apparently be as follows. Assuming this relative value to be 15 45 to 1, and the value placed on silver to be 5 1d per ounce, our 10 rupee gold piece would contain 106 76 grains of fine gold. I give these figures only to show, approximately, the values which, I believe, ought to be assumed for gold and silver. The exact figures to be adopted would of course require careful consideration.

If we were now to coin gold pieces of this description we should m consequence of the present depreciation of the value of gold in India be coming pieces the nominal value of which would be in excess of their actual intrinsic value. Such coins could obviously not come into use

unless they were made legal tender; and if they were made a legal tender, we should have created a token gold currency.

I believe that the proper course to adopt is to coin such pieces, making them, so far as the public is concerned, a legal tender only up to a certain limited amount, say Rs. 200, while they would be received by the Government without any such limit in payments due to itself. The latter condition would make it impossible for the Government to force into circulation an amount of gold in excess of the real wants of the public, and would prevent the Government from profiting by the issue of a depreciated coinage.

If the Government were not obliged to receive the gold coins without limitation, and there were any over-issue, the result would be that gold would accumulate in the hands of traders and bankers, who would be forced to receive the gold in small payments made to them, but might be unable to discharge them own debts with it, in consequence of gold being a legal tender to a limited amount only. The condition that has been proposed would give security against anything of this kind happening. The power of the Government to issue gold being thus limited, all gold in excess of the wants of the community would flow back into the Government treasuries, where it would accumulate. Thus, the actual quantity of gold remaining in circulation might be expected to be just sufficient to supply the wants of the public

When, by the gradually increasing employment of gold in the currency, and the consequent increase of demand, the market value of gold had risen, as I have already said it must do under such circumstances, and an equalisation of the relative values of gold and silver in Europe and in India had been established, the time would have arrived for declaring gold to be the exclusive standard, and for placing the silver currency in the subsidiary position which was formerly assigned to the gold. The process of change in the currency would go on without disturbance of values, and the final alteration of the standard might be made without shock

The process now proposed with respect to the comage of Indian gold pieces is identically that which has been followed in respect to the subsidiary token silver comage by the European powers, which have adopted the franc monetary unit under the Convention of the 23rd December 1865, and the gold token currency of India would hold an analogous position to the silver token currency of England The Gov-

ernment would exclusively regulate the comage of gold, and the Mints would be open to the public, as at present, for the comage of silver

24 Before concluding this Minnto, I wish to say a few words regarding what I may call the proposals of the Indian Mint Masters on the subject of a gold comage. Colonel Ballard and Colonel Smith have proposed to put a heavy seagnorage charge on the comage of silver whereby they expect that the indicements to import silver for comage will be diminished, and a corresponding advantage given to the import and coming of gold. By this means the value of the rupee would be increased to such an amount as would make it equivalent to the tenth part of the pound sterling, and the English sovereign could thus, it is said, be made a portion of the Indian currency

It may be admitted that the results thus contemplated could be obtained by the means which have been suggested, though I doubt whether the seignorage named by Colonel Ballard would be sufficient, for I consider that he has under rated the value of gold.

This proposal not only provides for the introduction into Indua of a gold currency but at the same time adopts the English pound sterling as the new unit of value to suit which the value of the rupoe is to be altered.

25 For my own part I consider that the present time is peculiarly inappropriate for proposals having in view such a change in the Indian monetary standard as shall assimilate it to the pound sterling. In the discussions which have lately been going on regarding an international coinage I believe that no authority of any considerable weight has seriously looked to the adoption of the pound sterling as a practical means of obtaining a common unit.

If a gold comage is now to be introduced into India I think that there can be no doubt that it should be based on the rupes unit.

26 The essence of the Mint Master's scheme is that a gold currency shall be forced upon India by an artificial contraction of the silver currency. Having created a dearth of silver money it is hoped that the country will take to the use of gold. I cannot believe that such a proposal could ever be senously entertained.

The artificial enhancement of the cost of silver money and the necessary simultaneous restriction of the circulation would be followed by an increase in the value of the silver rupee and a corresponding fall in prices. Silver money is the money used in the most important trans

actions of the people of India, and it would, evidently, require a long time to bring about such a change as the substitution of gold for silver. When we consider what serious mercantile disturbances and danger has been caused in late years by the simple demand for an increased supply of coin to meet the requirements of the internal trade of the country under peculiar circumstances, it seems to me that it would be extreme infatuation for the Government to adopt any measure which deliberately aimed at the contraction of that portion of the circulating medium which is most required for the purposes of the commerce of the country.

Nor is this the sole, or perhaps the most serious, objection to these proposals. Their adoption would cause a general fall in prices, which would especially affect the great producing classes, and might lead to results of a disastrous character.

27 I have, perhaps, referred to these proposals at greater length than may seem necessary. But I have done so because I think it extremely important that whatever measures be adopted for the introduction of a gold euriency should be so taken as not to disturb the standard of value I believe that everything which is required for bringing a gold coinage into use may be accomplished without any such result, and I deprecate attempts to bring about an alteration in the relative values of the precious metals by restrictive measures

While I admit that the late proposals of Sir Richard Temple are not open to this reproach, they are, in my opinion, seriously objectionable, because they fail to recognise the relation of value which actually exists

28 I request that this Minute may be forwarded to the Secretary of State, in continuation of the despatch of the 23id December 1868

JOHN STRACHEY

MINUTE—By His Excellency Sir William Mansfield,—dated 9th February 1869

Having, at the instance of the late Governor General, Sir John Lawrence, been much consulted by Sir Richard Temple before he wrote his Gold Currency Minute of the 5th of June 1868, which is the basis of the arrangements lately made, and pointed allusion having been directed towards my opinions by the Hon'ble Mr Strachey in his Minute of the 30th January 1869, it seems incumbent on me to offer some observations in answer to the latter

In the first place, it may be observed that Mi Strachey seems to have misappreciated the character of the measures described in the de-

spatch to the Secretary of State, No 333, dated 23rd December 1868. He would appear to consider those measures final. They are, on the contrary, avowedly of an experimental character, and devised for the purpose of obtaining experience with regard to the actual relative values of gold and silver, before the Financial Department can be in a position authoritatively to recommend a law embodying the legal tender of gold.

We need only refer to Mr Strachey's Minute to be aware of the uncertainty prevailing on this point according to the different views and arguments of various authorities.

It may be as well to recapitulate the artificial difficulties created on several occasions since 1835 with regard to gold. Thus, prior to that year, gold was apparently in India, in practice, a legal tender. But the Act (XVII of 1885) whilst declaring certain relative values between the two metals, gold and silver, deprived gold of the property of a legal tender.

In 1841, although gold still remained without the property of legal tender, Government announced itself to be willing to receive Indian gold come at the treasures according to the values declared in Act XVII.

In 1852, influenced by the facts of a triling accumulation of gold in the treasures, and the panio which was felt throughout the civilised world on account of the then recent gold discoveries—a penio which in the measures of government affected Belgrum and Holland, as it did the administration of India—the privilege granted in 1841 of receiving Indian gold coins at the trensury according to the values stated in Act XVII was withdrawn. In the course of the years 1863 and 1864 an urgent demand for a gold currency again arose in India, and the matter was much discussed.

Actuated by theories, the soundness of which may be disputed, Sir Charles Trevelyan the Financial Member of that day, induced the Government of India to commit what is now believed by every one to have been an error, namely, to make the attempt to introduce the British sovereign into circulation in India at the rate of Rs 10, which is below its value.

Sir Charles Trevelyan, apparently omrtied to see that when holed the Government of India to adopt his advice he was declaring gold to

have, in practice, a less value than that assigned to it by the only law we have with regard to a metallie currency, viz, Act XVII of 1835, as well as by average market rates

As was foreseen, the action taken by the Government of India in 1864 remained without results, for the very simple reason that the sovereign, according to the weight of gold contained in it, is of more value than Rs. 10.

After this short detail, it is evident that the matter of the enculation of gold in the form of coin, whether Indian or British, was in such a tangled state, that before any step could be taken towards legal tender, it was necessary to unravel the complications, and to resort to the experience of facts with regard to the positive relative values of the two metals.

Accordingly, when I was consulted in the spring of last year, it appeared to me that there was but one thing to do, viz, to assume, tentatively, that Act XVII did generally represent the relative values, and, therefore, to repair the first omission of Sn Charles Trevelyan in his consideration of the sovereign

The conclusion then was, that if the sovereign was to have a declared value, that value should be about that which is exhibited in Act XVII with respect to the Indian pieces. As a matter of fact, the declared value is slightly less

This course was an eminently prudent one, because, although declaring the value of the sovereign to be higher than that stated by Sir Charles Trevelyan, it is still below the value given as the average since 1835. This average stands at 10 rupees 7 annas and 10 pie for the thirty years from 1835 to 1864 inclusive, notwithstanding that, as shown by the various mercantile authorities who have been consulted, the sovereign can be generally laid down in India at rates varying from 10 rupees 3 annas to 10 rupees 5 annas. The table* of averages from which this is taken is given in the Appendix to this Minute. It is currous to note that if the average of the price of sovereigns be struck from the year 1835 to 1864, it is, as stated, 10 rupees 7 annas 10 pie. But if we take the average from the year 1850 to 1864 inclusive, it stands at

^{*} This return was rendered necessary in 1864, in order to meet Sir Charles Trevelyan's proposal to reduce the price of gold arbitrarily in India, while now, oddly enough, it comes into play to prevent a like reduction in that of silver in the same country, as suggested by Mr Strackey

10 rupees 3 annas 9 pie It will, I think, be found, with regard to these facts, that, whatever may be the price of silver in England, Act XVII of 1835 does, at all events now, approximately represent the relative values of gold and silver, if we can divest them of other conditions of trade, as shown by the rates of the exchanges

In practice however, the professional banker assures us that this is very difficult.

Thus, it happens that at certain states of the exchange the rupce sinks to 1s 9d in value, whereas at others it has been known to rise to 2s 3d,—it being a matter of fact that the price of the sovereign, as shown in exchange, has been liable to vary as much as 25 per cent., according to the balance of trade being for or against India.

This variation however, would not seem to rest on the value of gold as a commodity but on the fact that as England has a gold standard and India a silver one the vicisatudes of trade between the two countries come to be stated in a form involving mention of the two metals. But precisely the same change in the value of the rupee as regards operations of foreign exchange would take place if England had a silver instead of a gold standard. The statement would however, then be made in other terms, vis with reference to the shilling only or whatever com might denominate the public debt in England.

It appears to me that I need not enter further into this part of the subject, beyond saying that we must be careful not to confuse the results of exchange with the price of gold.

The business which has before us is to ascertain by experience, so far as may be possible whether or not Act XVII the only currency law we have, does, approximately, represent the value of gold and silver respectively or if it requires alteration

I do not know that any other means he open to the Financial Department for obtaining the necessary experience in the want of which, as stated by Mr. Arbuthnot, is found the whole difficulty of the question before us than in pursuing the course which has been lately adopted by the Government of India.

This course being eminently tentative and experimental for the pur pose of resolving the point of relative value, it appears to me to be unnecessary to follow my hon'ble colleague in his argument in which he shows, with much ingenuity that the price of the sovereign stated in the notification recently issued, which, as said before, follows Act XVII of 1835, has been fixed too low with regard to the facts of value presented by silver and gold in the English market

It remains only to observe that the gold merchants (see the evidence of Messrs Claude Brown and Dunlop in the papers relating to a gold currency) take a different view, and that they consider they can import sovereigns, at an advantage to themselves, at rates varying from Rs 10-3 to Rs 10-5. Thus, Mr Claude Brown* stated that he could lay down Australian sovereigns in Calcutta at Rs 10-2-11. Mr Dunlop comes to the conclusion that British sovereigns can be laid down at Calcutta at Rs 10-4-10, but it was ascertained in 1863 that the actual cost of sovereigns sent by the Oriental Bank to India was Rs 10-3-4. But very recently a communication was received from Mr Christian, a Broker in Bombay, in which he affirmed that sovereigns could be laid down at that place at about Rs 10-3

I therefore submit that the facts, as we know them in practice, are generally against the Hon'ble Mi Strachey's position, that the Act of 1835 does not, approximately, represent the relative values of the two metals in India

But, under the circumstances stated in the early paragraphs of this Minute, I, for one, have been most unwilling to proceed arbitrarily or summarily, and I am led to concur in the opinion of Mi Arbuthnot,

^{*} I think it right to add in a note Mr Claude Brown's own words, it being remembered that he is a merchant of much eminence and ability. Extract from a letter to Sir Charles Trevelyan, dated May 28th, 1864—"We may fairly assume that the average selling price of gold over a series of years in this market is an index to the rate at which, with reference to the state of the exchanges, it can profitably be laid down here, and that if the prices ruling afforded anything more than a moderate profit, the effect would be seen in a great addition to the supply and a general reduction of value to a level corresponding to that ruling in the other markets of the world

[&]quot;I have taken the average of our own sales of Australian gold in the years 1861 and 1863, and find it to be Rs 14-14-3 per sieca moliur of 22 carat fine. If we include the first four months of this year, during which the value was exceptionally affected by the monetary crisis, the average is reduced to Rs 14-13-9\frac{1}{2} on total sales of Rs 17,02,708

[&]quot;To check this result, I have taken the average of the quotations during the three years from our monthly circular, and find it to be Rs 14 13-4, so that, I think, we may fairly conclude that the value of gold of standard quality has during the past three years been, as nearly as may be, Rs 14-14 per sicea mohur

[&]quot;At this price, the 5 dwts 3½ grams which an English sovereign contains will be worth Rs 10-2-11, and when to this is added seignorage at the rate of 1 per cent, the cost of the coin will be Rs 10 4 6"

that we require experience in order to determine the inconsistency which appears to rule in the values of the metals, as shown in the European and Indian markets, if such inconsistency exists, which I greatly doubt, for reasons which will presently be shown

My own view has generally inclined to the opinion, that, on the whole, the value of gold might possibly, rise in India. That opinion was expressed in 1864, and I have as yet no reason to depart from it. Nevertheless, there is no other conceivable criterion for our immediate and present grudance than the facts of value as accepted by the gold merchants.

It is not irrelevant to observe, that, while Mr Strachey finds fault with the rate which, according to his views, is below the real value of gold, the contrary has been suggested, both in Bombay and Calcutta, vis that, owing to the want of a legal tender, the treasures might come to be encumbered with gold because the public would be unwilling in cer tain states of the exchange to take the covereigns from the treasures at the rate stated in the notification vis, Rs 10-4. Very recently I was consulted on the practical value of the objection thus taken and as to the measures which might be necessary in consequence.

Mr Strachey's Mmute on the one hand, and the questions put by Mr Ralfour, of the Bombay Bank on the other, are, I think, not bad evi dence that the Government has struck the proper mean by which to obtain the experience required, before proceeding to the step of declaring a legal tender of gold

It is to me a matter of regret that the question of a gold currency for India was encumbered by the interpolation of the English sovereign in 1864 which is coined for a different system in another country. The advantage of circulating the sovereign in India except as an auxiliary to an Indian coin has never made itself apparent to me. Nevertheless, the sovereign has many friends, and owing to the step taken by Sir Charles Trevelyan, it cannot now be summarily bunahed, until its incompatibility with Indian wants has been proved by experience

To have given it a higher value for receipt and issue at the Government treasures than Rs. 10-4, without the safeguard of legal tender to compel its issue would doubtless, at times have caused very considerable difficulties to the treasures. For they would have been made the receipt onts of sovereigns for the furtherance of mercantile speculation, and the sovereigns would then have often remained as a dead weight in the

treasuries, because of the high Government value attributed to them. But further, to have given them a higher value, would have been to resterate Sir Charles Trevelyan's mistake, and to attribute to coined gold in India other official rates than are shown by the only metallic currency law we possess.

It will be understood, after the foregoing statement, that I am unable to comprehend Mi Strachey when he says that Act XVII of 1835 is entirely obsolete, so far as it declares the relative value of gold and silver I think I have shown that the framers of that Act have very fairly anticipated the proximate relative values of the present day.

With reference to the late measures being inoperative for any useful purpose, as declared by Mr Strachey, he will surely admit that if those measures lead us to the facts we want, with respect to the truth or otherwise of the values stated in Act XVII, those measures will not have been altogether devoid of utility

41

For if the sovereigns come and go at the notified rates, it will be apparent that the Government notification has properly determined their value. If they accumulate in the treasuries, it will follow that they are too dear in price. If, thirdly, they are not paid into the treasuries, and the late measures turn out, as supposed by Mr. Straehey, to be simply without practical effect, we shall be satisfied that the price of gold, as determined by Act XVII of 1835, is not high enough

With regard to paragraph 17 of Mi Strachey's Minute, it is to be noted that the notification of October has not been without some result. Thus, I am informed that in the month of January about 80,000 sovereigns were paid into the treasury at Calcutta, about a tenth of that sum having been withdrawn by the public.

Assuming Mr Strachey's calculations about the prices of different kinds of gold to be correct, the fact of the sovereign being 1 per cent dearer than bar gold is not surprising when its quality of money and the demand for coined gold, whether in India or for travellers leaving the ports of embarkation, are fairly considered

According to the instructions lately given in the Financial Department, the sovereigns paid into the treasury will retain their present form,

if the public should wish to take them. If there be an accumulation on the other hand, a proportion will be thrown off in Indian coins. According to our present means of information, the Indian coins appear to carry a premium in the market, owing to local circumstances, which is not warranted by their intrinsic value but is, probably, to be ascribed to the dearth of Indian coins.

These points have been lately very carefully considered by Sir Richard Temple Mr Chapman the Financial Secretary and myself. The instructions subsequently issued for giving practical effect to the notification in certain details on which Colonel Hyde the Master of the Mint required information account satisfactorily, I believe, for any doubts which might arise

As yet Government has not sanctioned the purchase of bar gold for the purposes of comage This operation I believe to be desirable. There is only one objection that I am aware of, that being that Colonel Hyde's machinery is so deficient that he is positively not in a position to comply with all the obligations imposed on him by law vis of coming gold according to certain denominations of com as required by Act XVII.

This fact has a peculiar bearing on Mr Strachey's argument for it is true that much loss of labor takes place in the coinage of gold at Calcutta owing to imperfect machinery as lately explained by Colonel Hyde. This imperfection is now in the course of being repaired, but many months must clapse before the deficiencies can be set right by supplies from England.

Another item of the alleged loss is, I think to be found in Colonel Hydes method of computation. Now it is true that the minimum legal weight of a sovereign is 1224 grains. Colonel Hyde makes his computation on the basis that all the sovereigns presented are of minimum legal weight. This method may be convenient for account purposes for all I know to the contrary but I think it is plain on the surface that such a mode of computation must be inconsistent with fact. Thus I should imagine that the bales of sovereigns which come in large remittances from England and Australia, and are probably often coined for the purpose are much more likely to be full weight than otherwise. At least, considering that sovereigns have but little circulation in India, we may take it for granted that if they are presented in large quantities at the treasury at least half of them will be full weight. Thirdly, I under

stand 1 per cent of Colonel Hyde's computation to be imaginary or nearly so—that is to say, that it consists of the 1 per cent of seignorage which is charged to the public for the coinage of gold bullion.

For it is clear that if Government occasionally send bullion to the Mint for comage, it is little else than a matter of account whether the seignorage be charged or not. It is curious, when investigating this matter, to find that the re-comage of sovereigns is slightly cheaper than the comage of bar gold, because, in the former, mixture with alloy has already taken place, which has to be done with the latter before it is fit for manufacture. In short, the sovereigns supply their own alloy

On the whole, I believe it may be said with accuracy, that, whatever real loss may take place in the re-comage, provided the machinery be effective, it is so trifling as to be almost inappreciable. At least such was the result left on my mind after a careful enquiry into these points recently held by Sir Richard Temple and myself with the Master of the Mint

I think a further argument might be maintained in favor of showing that sovereigns received at Rs 10-4 would, when re-coined according to the rates of Act XVII, show an actual profit, sufficient to cover the possible loss on light-weight sovereigns and the expense of manufacture For this I would refer to the facts stated by Mr Claude Brown, as set out above

I am unable to agree with my hon'ble colleague with regard to the inexpediency of producing Indian gold coins at the Mint

In the first place, to produce these Indian gold coins is strictly according to law and is a boon to the public. Secondly, it will be in his recollection that, till very recently, there was a misapprehension about the Mint operations. It was believed that the public had entirely ceased to bring gold for coinage. If I recollect rightly, the alleged cessation was one of Mr. Strachey's reasons, in the course of conversation, for declaring Act XVII to be obsolete as affecting gold.

Enquiry, however, proved that the notion of cessation was incorrect, and that, notwithstanding the imperfection of the Mint, the fact of gold not being a legal tender, and the further one of Indian gold coins being in no manner receivable at the treasuries, the public, nevertheless, does insist on the right conceded according to Act XVII, viz, to demand Indian gold coins in exchange for its bullion,—upwards of a million having

been thus coined since 1852, the date of Government declining to take those coins in payment of Government dues

Knowing, as we do, besides, that the native mints in the independent States turn off a large quantity of gold coms. I confess that, to mo this fact has a significance more important than I can describe as showing how the Government of this country has, hitherto neglected its duty in furthering the advancement of a gold currency or at least, in actively supplying a gold counage.

For a gold currency it is indispensible that not only gold should be in the country as we know it to be hat that it should also exist in the form of come

By the measure of 1852, the Government did what it could to diminish the demands for such coins, and, therefore, to lessen the operations of the Mint. Notwithstanding this, however we see that the thirst for Indian gold coins has still provailed and that, owing to the dearth of them these very coins bear a fictitious value in the market.

I am therefore, clearly of opinion, that while giving what may be called fair play to the sovereign, we should not refrain from throwing off the Indian coins as sanctioned by Act XVII

In short I believe that if we would have a legal gold currency bereafter we should supply the country with gold coins at present. In any case this must be a matter of time—but, I think it is incontroverhibly shown that we shall never extricate the currency from the dilemma in which it is placed—a dilemma totally opposed to the wishes of all the commercial classes in India—until we afford the means of a gold currency by adding to the Indian coins now in circulation—The legal tender must then follow

There should be no attempt at regulating the value of gold by fur ther notifications unless Government be prepared to concede the legal tender. We shall be in a position to do this so soon as we are satisfied, whether or not the statements given by Act XVII do fairly represent the relative values. Till the mistake of 1864 was repaired it was quite impossible to make an experiment, or even hazard a guess, in these matters.

What I object to in Mr Strachey's views is this, that, because we are in uncertainty now therefore we are to take no practical step towards our extrication from it. This would be in fact, to abandon the results of all the labor and investigation of the last five years and finally to deny a legal gold currency to the commerce and industry of India for which they have so long entreated in vain

I concur in my hon'ble colleague's warning against the artificial enhancement of silver. I would venture to say, that there has been no more zealous supporter than myself of the argument, that it is absolutely necessary to proceed according to actual facts of value, without any artificial arrangement, such as that suggested by Sir Charles Trevelyan in 1861, and again lately by those who have advocated the compulsory tender of the sovereign at Rs 10, whereby the value of silver would be innuaturally russed.

It is in such a sense, viz, consulting only the facts of value, that I wrote in 1861, and, at the instance of Sir John Lawrence, again tendered my advice during the last year. With regard to those facts, it would be well to consult the evidence given to the Chireney Commission, as well as the tables of prices which are prepared at the ports of embarkation, where the sovereign has a value per se because of its quality of money in England.

But can the same be said of M1 Strachey's practical recommendation? Thus (vide his 23rd para), he actually wishes to depreciate the value of silver artificially in this country, and to make a legal tender of gold which shall thus stereotype the arbitrary depreciation. Be it further observed that he fixes on a price of silver for this purpose—5s 1d in India—which is frequently, it may be said in prosperous times generally, below the rates of the London market itself.

In support of this assertion, I add in a note* the table of the prices of bar silver in London, which was furnished to me authoritatively in

* T/	e pri	ce of	bar	silve	er pe	า ๐นน	ce st	anda	rd m	Lon	don		
Years	January	February	March	April	May	Jano	July	August	Septembor	October	November	December	Ауетаде
	e d	e d	₽ đ	8 d	8 d	8 d	8 d	s d	s d	s d	8 d	s d	s d
1853	5 18	5 IF	5 18	5 1g	<i>5</i> 1	51	5 18	5 17	5 17	5 13	5 21	5 15	5 1½
1654	5 14	5 1#	5 1£	5 14	5 1 g	5 17	5 11	5 18	5 11	5 11	5 1 1	5 18	5 1 }
1855	5 13	5 1 3	}	5 18	5 1£	5 13	5 1 \$	5 1#	5 14	5 1]	5 1 ‡	5 14	5 1 1
1856	5 17	5 1g	5 11	5 1 1	5 1 1	5 1½	5 1 1	5 I	6 15	52	5 2 1	5 17	5 1
1857	5 1#	5 13	51	5 14	5 15	5 1 7	5 1 }	52	5 I}	5 I I	5 1}	5 21	5 14
1858	5 1]	5 1 <u>f</u>	5 17	5 1	5 11	5 I}	5 1}	5 03	5 0≹	5 11	5 14	5 Is	5 12
1859	5 11	5 I‡	5 14	5 22	5 2]	52	5 2	5 1 ፤	5 15	5 17	5 2	5 1 3	5 17
1860	5 21	5 21	5 21	5 17	5 I3	5 15	5 1½	5 1}	51	5 1	5 I#	5 1\$	5 1 g
1861	5 17	51	51	51	513	5 0 k	5 Cg	5 01	5 0}	5 04	5 0}	5 1	5 01
1862	5 1 }	5 14	5 14	5 1 t	5 14	5 1½	5 0¥	5 11	5 1	5 13	52	5 12	5 I#
1863	5 14	5 13	5 1 1	51	5 1 1	5 13	5 11	1			J		5 Iğ

1864, and is in the Appendix of my Minnte of that year, from which Mr. Strachey has quoted. This table gives the prices of silver during the eleven previous years, etc., from 1853 to 1803 inclusive. It will be observed that in no single year was the average price of silver below 5 1½ whereas the average price for the eleven years was about 5 1½ Now, this was in London and not in India and in India silver has to bear the cost of freight, insurance, and hrokerage when imported from Europe which are computed at 3½ per cent.

I cannot discover in Mr Straehey's Minnte that he has taken into consideration the $3\frac{1}{4}$ per cent which must be added in India on the fore going accounts to the price of bur silver as stated in London. The like omission unless I have read the paper wrongly appears in the table he cites in his 14th paragraph. Thus, in that table it is said that when bar silver is at 5s, 1d, the equivalent in the rupee is 2° , 67d =10.9-3 in the pound.

In Mr Dunlop's table (see page 255) of gold currency papers which in the calculation includes 3½ per cent, for freight, insurance and hroker age and further the mint charge it is shown that when the bar silver costs 5½ ld in London the cost of the rupes in Calcutta Mint is $23\frac{p}{10}$ which would give Rs 10 and ½ rds of an anna to the pound. An extract from Mr Dunlop's memorandum is given in Appendix C

I am I think bound to follow the argument to its legitimate conclusion. Thus Mr Strachey has told us (see paragraph 13 of his Minute), that, since July 1866 the price of silver has never gone above 5s 1d in London, and that during the whole of last year it did not exceed 5s 01d.

Taking the price of silver in London as the basis of calculation we have seen what the cost of the rupes is in the Calcutta Mint when the silver costs 5s 1d in London. The same commercial method of computation being adopted cis of adding the cost of freight insurance, brokerage, and mint seignorage to the London price, we are informed by Mr Danlop's table that the cost of bar silver being in London 5s 0½d per coince the cost of the rupes at the Calcutta Mint becomes 23½dd which if reduced to value in the sovereign gives about 10 rupees 2 annas, or 2 annas below the rate stated in the Government notification and 2 annas 4 pie below the rate of gold assigned in Act XVII.

We have then the further inference that the price of bar silver, as quoted in London, if taken alone, is a fallacious guide, and that, in truth, it leads to a conclusion opposite to that desired by M1 Strachey.

Consequently, it is difficult to deny, that if we would approximate to the value of gold in India in the statement of price, we must follow the rule of the gold merchants, which looks to the cost of the delivery of gold in India, rather than pay exclusive attention to the price of silver in a very distant market. And we are again reminded of the absolute necessity of remembering that behind both modes of computation lie the confusing elements of the balance of trade and the state of the exchanges, which seem to have escaped Mi Strachey's consideration

I cannot, in any manner, concui in the suggestion which would reverse the usual order of things, and make the more valuable metal a legal tender for small amounts only—in short, to have a gold token coinage This, I believe, to be absolutely contrary to correct principle and all previous usage in any country, and, therefore, to be certain to add one more complication to the difficulties already artificially caused in an otherwise easy matter. There can be no reason for limiting either gold or silver, as regards tender, until the time has arrived for reducing the inferior metal to a token coinage and a single gold standard has been thus established

As I have often ventured to urge, all that we have to do is to adjust, as closely as possible, the relative values of the two metals in coinage, and then leave them to fight the battle for supremacy

Wherever this has been done, silver has been driven from the field, notwithstanding that silver was the original standard, $e\ g$, the United States, France, &c , &c

For the argument on this point, and the manner in which the obligations of a country which once had a silver standard continue to be stated under the old denomination, after the silver comage and standard have made way for gold, I beg to refer to my Minute of March 1864.

I would add that I entirely concur in Mr Strachey's remarks on the proposals of the Indian Mint Masters.

APPENDIX A

Average price of English Sovereigns, &c , since 1830

					1 10 T 10 T
	English Sorterstar, per each.	German Clowred, per 100.	Mexican Dollars, per 100.	F Franc please, per 100	
1830 1831	Rs. A. P	Rs A P	Ra. A. P	Ra. A. P	
1851 1633 1633 1834 1836 1838	 10 14 1	215 14 8 211 8 5		::	Not reported, File lost, Ditto,
1638 1639 1840 1841 1841	10 8 0 10 2 9 10 5 6 10 11 9 10 15 1	215 0 0 314 10 0 314 0 0 214 5 0 315 0 10	221 4 0 221 8 0		
1844 1845 1846 1847 1848	10 4 8 11 3 0 11 2 6 11 1 0 11 5 8 11 2 8	315 8 9 317 14 0 291 0 0 216 1 4 215 1 2	225 18 0 521 1 7 231 3 7		Ditto.
1849 1850 1851 1861 1863	10 4 6 10 8 10 10 4 8 10 2 1	313 13 0 312 4 0 311 8 6 311 10 0 315 7 8	220 14 0 221 1 4 232 0 8	 12 144	
1854 1855 1856 1857 1858	10 2 8 10 2 7 10 1 2 10 1 1 10 2 2	227 7 4 312 9 4 209 2 0 318 13 8 213 12 0	231 14 0 229 14 0 223 0 0 233 0 0		
1859 1960 1861 1862 1863 1864	10 8 2 10 6 0 10 5 4 10 4 11 10 4 4 10 2 10	218 16 0 211 11 4 213 8 0 312 9 4 314 7 0 213 12 1	221 13 4 223 12 0 225 0 0 213 2 0 225 13 8 227 11 4	222 1 0 223 1 4 221 4 0 294 8 4 219 3 4 215 11 7	
TOTAL	283 4 5	6,450 2 11	4,020 10 2	1,329 8 7	
AYERAGE	10 7 10	214 5 5	223 5 11	221 9 5	

APPENDIX B.

Average Quotatio	ns f	or ei	ach	yea	r ın	Bon Bon	гбау	of I	gugli	ısh an	d A	ustrı	ılıan	Sovere	rgns a	nd English as	Average Quotations for each year in Bombay of English and Australian Sovereigns and English and Australian BarGold	
Үвапя,		Engl	English Sovereigns	Sove	reign		Austr	han	Sove	Australian Sovereigns	<u> </u>	aghsb 98	L Bar Touch	English Bar Gold, 98 Touch	Aus	Australian Bars	Квмлвкя	f
1857	•	Rs 10		67	2 7 each		No		Quotation	턽		No Q	No Quotation	uou	Z	No Quotation		
1868		2	10	61	¢3	*					2	151	44	Rs 15 14 4 per tola				
1859	·	*	10	ro	, Ф							16	6 5	•				
1860	•	2	10	מנ	-₹4		188	10 7	7 2 each	евсћ	<u> </u>	91	4 2	2	Rs 15 (5	Rs 15 12 0 per tola (23 carats)	Australian Sovereigns and Bars from July	
1861	:	2	10	-4 1	С	*	2	10	တ	2		16	1 1	*	" 15 (2	15 5 7 ". (23 carats)		
1862		2	10	ro	0		*	30	ඩ 10	=		16	3 1	•	" 16 (23	15 14 2' " (23% carats)		
1963		2	10	-म	H	*	2	10 (6 9	*		16 3 1	 	ŝ	" 16 (25	" 16 1 2 " (23\frac{2}{4} carats)		

Nors -This return having been furnished from another source, differs from that given in Appendix A

64

APPENDIX C

Extract from "Remarks on the importation of Bullion into India, with Onotations," by H G DUNLOP, Esq , dated Calcutta, 6th March 1864

In the present state of Indian currency the following table may be interesting if gives the outturn of bar silver, standard, purchased in London, and sent for comage to the Calcutta Mint.

The charges, such as freight, insurance, brokerage, &c., are computed a.t.

31 per cent.,						ше сешрие
						ď
Cost in Lond	lon, 4	101 pe	r ounce, g	wee the ru	pee at a coe	t of 23·0
,,	4	11		,,	**	23 1
,,	4	111	,,	,,		23 2
19	4	111		**		23 3
,,	4	112		p.	77	234
,,	5	0		,,,	n	23 5
	5	01	"	,,	,,	23 6
"	5	0∦	"	"	**	23 7
**	5	01	,,	**	"	23 8
,,	5	1	"	**		28-9
**	5	11	*	n	**	24-0
10	б	1	,,	,,	**	24 1
,,	5	17	34		,,	24 2
**	5	3	,,	,	,,	24 3
	5	21	**		,,	24 4
,,	5	21		,. ,,	,,	24 5
**	5	27	**	r 17	,, ,,	24-6
	5	3	,,,			24.7

And for each additional farthing in the price of bar silver inth of a penny should be added to the cost as given.

Calcutta is taken as the place of import,

During the greater part of lest year the Council bills on India sold on the Fort William Treasury at 1 111 to 2s per rupes. This rate may be fairly taken as the equivalent of the price at which there would be a special demand for bar silver for Calcutta, apart from other places, and represents 5s to 5s 11d per ounce

The latest rate at which bills were drawn (in January) was 2s 01d, or equal to bar silver at 5-21 per ounce at the outside

But remitters from England in the present state of the Calcutta money market would readily give $\frac{1}{10}$ th to $\frac{1}{8}$ th of a penny per rupee more for the Council bills than for bar silver, as the bills are payable on demand, and the silver in bars must be coined before it is available. The present rate of Council bills may fauly be computed as equal to 5s 2d. per ounce of bar silver in London.

MINUTE—By the Hon'ble Sir Richard Temple,—Dated 12th February 1869.

His Excellency Sir William Mansfield has, in his Minute of the 9th current, in my opinion, so completely answered Mi. J. Strachey's Minute of the 30th ultimo, that my remarks on the present occasion may be brief.

- 2 My hon'ble colleague, Mr. Strachey, is quite correct in the belief, expressed in his 8th paragraph, that my recent proposals regarding a gold currency have been based on the report of the Commission of 1866. Considering the high authority of that Commission, and the elaborate enquiry they made, it was but natural and proper that I should so base my proposals. Considering also that the distinguished President of that Commission, His Excellency Sir William Mansfield, is a Member of this Government, it was fitting that I should consult him—which, indeed, I have done with much advantage and instruction to myself. Indeed, our deliberations on this important subject have been most essentially aided by His Excellency.
- 3. I append a copy of my Minute of the 5th June last, to which Mi Strachey has referred, also extracts from Minutes which I recorded in October last.
- 4 For further exposition of the leasons for the course which has been adopted, and which I, for one, have steadfastly recommended, I would refer to our lecent despatch to Secretary of State of the 23rd December 1868.
- 5 Mr Strachey points to the relative value of gold and silver as prevailing in Europe I admit, of course, that these data are valuable and worthy of consideration. Indeed, I pointed to this very matter in my Minute of the 5th June last But various circumstances, exchanges and the like, are shown to cause fluctuations, and to render the argument only partially applicable to India.

- 6 I observe that my hon'ble colleague pushes his conclusion very materially further than Mr Arbuthnot has done in the valuable paper from which Mr Strachey quotes. Mr Arbuthnot does not affirm more then that the substitution of gold for silver in the currency of India would lead to a "re-action in the upward tendency" which has, of late. prevailed in the price of silver as compared with gold. Mr Struckey considers that if we introduce a gold currency into India, the relative prices of gold and silver in the Indian markets will become approxi mately the same as the prices that obtain in Europe. It appears to me that my hon'ble colleague has not only, as has been pointed out by His Excellency Sir William Mansfield, omitted to consider the charges which must always be added to the European price of silver as an element of the Indian price but forgotten that the disproportionate demand for silver throughout the East as compared with Europe depends after all very largely upon caroumstances altogether apart from its employment m the Indian currency such as the habit of hoarding silver its constantly increasing use for ornaments, and the demand for it in populous regions, such as China and Japan. Upon all these circumstances its displacement by gold in our currency will produce little or no effect.
 - 7 But the main, indeed the conclusive point is the existing relative value of gold and silver in India. If that can be arrived at, or approached, then we may hope for a solution of our doubts. Now all the evidence goes to prove that a sovereign can be laid down in India at rates varying from Rs 10 5 to Rs. 10-3. This justifies the rate of Rs. 10-4 which we are allowing for the sovereign.
 - 8 That a rating so arrived at by experience should coincide with the legal valuation fixed in India so far back as 1835, and since unaltered, is a remarkable confirmation of our proceedings.
 - 9 The valuation of 1838 * having been arrived at under the previous circumstances of a legal tender of gold, was, it may be assumed fixed after the most careful consideration. It may have been temporarily disturbed perhaps by the subsequent gold discoveries but after that fluctuation has again become practically correct for India at least, the country for which it was intended.
 - 10 I have always understood that the relative value of gold and silver does not really change in the long run and upon periods of dura

tion sufficient for the establishment of conclusions, though, doubtless, it is subject to fluctuations intermediately. I would refer to the words of Mr Dickson (whose authority is beyond question), to the effect that "the relative values of the two metals, notwithstanding periodical fluctuations, do very soon adjust themselves to each other," and that "the subject must be discussed, not in relation to the existing state of matters, but to the experience of a series of years"

- 11. Accordingly I went into the latter point last year Mr Dickson's examination went back for more than a hundred years, and it appeared that in the year 1717 gold to silver was as 1 to 15 209 and in 1867 as 1 to 15 333, so that the difference over this long period was very slight
- 12 If I admitted Mr Strachey's arguments to the full (which, however, I am far from doing), I should reply that the conclusion logically deducible from them was, that we ought to have offered more than Rs 10-4 for the sovereign, but that, considering that we had raised the rate from Rs 10 to Rs 10-4, we were manifestly proceeding cautiously, and that our error, if any, was on the side of caution. That such caution is a necessity is shown by the questions put to us from various quarters
- 13 As to Act XVII of 1835 being "obsolete," as described by Mr Strachey, I cannot understand that, masmuch as gold has always been, and still is, coined under this law .
- legal tender up to Rs 200 only, silver, of course, remaining legal tender up to an unlimited amount. This is so opposed to my understanding of the whole subject, that I cannot follow it. The notion seems to be contrary to the fundamental principles of metallic currency, and specially to the practice in England. I understand the natural order of things to be, that the superior metal (gold) should be legal tender to any amount and the inferior metal (silver) to only a limited amount when the latter has been reduced to the rank of a token coinage. This order seems to be reversed by Mr Strachey's recommendation

R TEMPLE

From the Government of India, to the Secretary of State for India,—
No 43, dated 15th February 1869

As promised in the last paragraph of our despatch No. 333, dated the 23rd December last, we have the honor to forward copy of a Minute

recorded by the Hon'ble Mr Struchey on the subject of a gold cur rency, together with further Minutes by the Hon'ble Sir William Mansfield and the Hon'ble Sir Richard Temple

From Libut Colonel H Hyde, R. E., Head Commissioner of Paper Currency, to the Officialing Secretary to the Government of India, Financial Department,—No 693 dated 8th Moreh 1869

With reference to your letter No 879, dated 4th ultimo, permitting
the exchange of Indian gold coins* with the
public for notes, I have the honor to enquire
the exchange of Indian gold coins* with the
public for notes, I have the honor to enquire
when these coins are to be considered as of
light weight, and, as such, to be refused, or

are they to be accepted irrespective of the loss in weight they may have sustained by abrasion or any other cause. Act XVII of 1835 does not afford the necessary information on the subject.

Endorsed by the Financial Department,-No 1617, dated 12th March 1809

Forwarded to the Comptroller General of Accounts for report. (Orn ginal papers to be returned.)

From E F Harrison, Esq., Comptroller General of Accounts, to the Officiating Secretary to the Ogvernment of India, Financial Department,—No 983, dated 22nd March 1869

With reference to your office docket No 1617 dated 12th instant I have the honor to report that no minimum weight is fixed in Act XVII of 1835 and that none was fixed by Regulation XXXV of 1793 for the gold coins under that Regulation which were legal tender; nor was any limit fixed by Regulation II of 1812 which defined the minimum weight of silver coins. I think a minimum weight should be fixed on the same principle as that adopted by the Imperial Government with regard to the sovereign and half-sovereign.

2 On consultation with Colonel Hyde I learn that it is not found necessary to allow in the case of a large coin so great a proportionate rate for ordinary wear as in coins of a smaller size. He considers that the allowance for a sovereign would be sufficient also for a piece of Rs 15

- 3 By Royal Proclamation of 3rd June 1842, the minimum legal weight for sovereigns is ordered to be 5 dwt 2½ gr, and for half-sovereigns 2 dwt 13½ gr, thus allowing for wear 774 gr and 512 gr, respectively I am not aware of any more recent order having been passed upon the subject, though the allowance is differently given in Tate's Cambist, which is generally accepted as an authority on matters of fact connected with the currency.
- 4 I would propose, for the approval of Government, that the following rates of allowance be fixed for wear of gold coins before it ceases to be received in Government treasures —

						\mathbf{Grams}
For	r the	Gold mohur, sovereign, and	10-rupee	ріесе		774
,,	"	Half-sovereign and 5-1 upee	piece	•	•	512
,,	"	Double-mohur	•	•••	***	1

5. The Mint Master should be instructed to observe the rate approved by Government in the construction of weights to test the minimum weight at which the coins should be received .

NOTIFICATION—By the Government of India, Financial Department,— No 2731, dated 24th November 1869

With reference to the Notification of 28th October 1868, No 3287, the Governor General of India in Council is pleased to fix the following rates of allowance for wear of gold coin before it ceases to be received in Government treasuries —

		,			Grains.
For	\cdot the	e Gold mohur, sovereign, and 10-rup	ee piece	•••	774
,,	"	Half-sovereign and 5-rupee piece	•••	***	512
52	,,	Double-mohur	•••	•••	1

From R. H Hollingbery, Esq, Assistant Secretary to the Government of India, Financial Department, to the Head Commissioner of Paper Currency,—No 2730, dated 24th November 1869.

With reference to your letters Nos 693 and 283, dated the 8th March and the 5th August last respectively, regarding the rules for refusing to accept Indian gold coins of light weight, I am directed to refer you to a Notification of this date, and to request that, while it will be necessary for you to construct weights for testing the minimum weight at which the coin should be received, you should use discretion in supplying weights. At present they need not be generally supplied.

NOTIFICATION—By the Government of India, Financial Department. No 3764, dated 12th December 1870

It is hereby notified that certificates granted under Section 24 of the Indian Coinage Act 1870, for gold bullion tendered at the Mint for coinage, will be paid at the option of the holders in 15, 10 or 5 rupes pieces of the weight and fineness prescribed in Sections 4 and 5 of the said Act.

From—R H HOLLINGBERY, Esq., Assistant Secretary to the Government of India Financial Department, to the Mint Master, Calcutta— No 3763 dated 12th December 1870

It having been determined to issue a notification as per margin, I am

See Proceeding No. 1

directed to request that you will be good
enough to coin 5 000 ten-rupee and 2,000
five-rupee pieces out of the currency gold bullion held at the Mint, and
supply the General Treasury with the coins receiving in exchange an
equivalent number of fifteen rupee pieces for the Currency Department

Copy to the Head Commissioner and Comptroller General.

Minute by the Honorable SIR RICHARD TEMPLE K. C S L.

I desire to lay before the Government of India three notes by Mr G Dickson, Secretary to Bank of Bengal, on the subject of the gold currency, which he was good enough to draw up at my request also notes by Mr R B Chapman the Financial Secretary, and Mr H D Sandeman Officiating Comptroller General and Mr E Gay, Deputy Comptroller General on the same subject.

2. I have long believed that a gold ourrency is wanted in India; that its introduction ought to be an object for gradual if not immediate, attainment and that the British Government ought to adopt measures from time to time towards that end. I do not say the introduction of a gold comage for we have that already in India. We have gold pieces representing fifteen, ten, and five rupees, respectively, and believed, by what may perhaps be considered some of the best anthorities in India, to represent these several sums very correctly as regards the relative value of gold and silver. That this relative value has by these gold pieces been preserved with as much accuracy as possible under the circumstances, was affirmed by the report of the Indian Currency Commissioners in 1867.

But, despite their intrinsic merits, these coins are not, and cannot, be available as currency, because they are not legal tender. I conceive that we should, so far as we fairly can, permit inducements to arise for the importation of gold into India, and for its retention in considerable quantities in the country, that whenever such quantity might be found adequate, we should take the first opportunity to declare the gold coins legal tender to unlimited amount, that the gold pieces should continue to be if the fixed relation to the rupce, that, for a time, it might be necessary to permit the rupce to remain legal tender to an unlimited amount which would involve temporarily the difficulty of double standard, that the transition period of double standard should be as short as possible, silver being reduced to a token coinage, and being legal tender up to a small amount only, and that gold should be ultimately the one legal standard

- 3 Remembering that many steps must be taken before any such consummation could be arrived at, I should have preferred just now to confine myself to such practical measures as could be adopted at present But, among the many doubts which surround the subject, I see, or imagine that I see, one doubt which affects the very root of the matter. It seems to be doubted whether a gold currency is needed at all for India, or whether it constitutes a requirement of that pressing or important character which would justify any alteration in so delicate an affair as the currency
- · 4 I do not at all share such doubt, on the contrary, I share the conviction expressed by my predecessors, Mr S Laing and Sir C Trevelyan and Mr Massey, to the effect that a gold currency is among the urgent wants of India With the exception of Mi Wilson, every Financial Member of the Government of India has advocated this view In 1866 similar views were advocated by a Special Commission in India appointed to examine the whole subject, and have been maintained at one time or other by every Chamber of Commerce in India event of such doubts as above described being seriously entertained, I will attempt to briefly recapitulate the leasons why a gold currency is desirable in India And my excuse for making the attempt must be If people shall strongly entertain an a priori conviction that a gold currency is really wanted, then they will find that the supposed difficulties in the way of its introduction are not at all insuperable, if, on the other hand, they have no such conviction, then the difficulties which more or less beset every question of currency become magnified to undue proportions

5 It can hardly be necessary to recall to mind the superiority of gold over silver, or the reasons why, in all countries, the estimation of gold is about fifteen times greater than that of silver A woll known writer on bullion has summarized the advantages of gold thus—

Gold is the noblest of all metals—the king of the sicials as the alchemists of old used to cell it. It holds this exalted rank by virtue of its precious physical and chemical properties, among which may be mentioned, more especially its indestructibility its signal power of reasting oxidizing influences; its fasibility; its permanent ductility and malleability its beautiful color and splended lustre."—Sxyp—Bullion and Foreign Exchanges

- 6 It is this superior estimation which, causing gold to be so much more relatively portable than any other precious metal, gives it a practical efficiency in commercial transactions, of which inherent quality nothing save artificial restraints, from systems of currency, can deprive it
- 7 The most advanced nations England France Italy America Germany Holland possess a gold currency Most of them have at various times adopted measures to change the currency from silver to gold. Some of them have even put forth efforts and undergone sacrifices for this object
- 8 It is generally acknowledged by the best authorities that the money which is to be the medium of exchange and the measure of value in large transactions or in all save small transactions should be gold as being the metal most suited for such purposes from its greatly superior estimation. Silver is suited only for transactions too small for the use of gold just as copper is suited only for transactions too small for the use of silver.
 - 9 In the first place Adam Smith explains that-
- "In the progress of industry commercial nations have found it convenient to comsoveral different metals into money; gold for large payments, silver for purchases of moderate value, and copper or some other coarse metal for those of still smaller consideration."
 - 10 Michel Chovalier gives a similar explanation -
- "We know that, for many centuries, copper constituted the money of Rome. After wards, society having become richer copper money was no longer sufficient; with the increase of wealth payments became too cumbrons, and a more valuable metal than copper was found better adopted for the bulk of transactions; it was thus that after money came into use. This was soon after followed at Rome and for the same reason by a gold currency. The history of the currency in the monatchies which were rearred upon the runs. If the Roman Empire reveals the same process."

The same authority goes on to say of gold and silver, "A division of their employment seems to be indicated, for silver the smaller, for gold the larger payments"

- 11 M'Culloch, speaking of gold and silver, says that-
- "The former would be sure to be preferred as money to the latter in all but petty transactions"
- "The use of gold as money is accompanied by so many advantages that it would maintain its place even though it were somewhat under-rated as compared with silver Inasmuch, however, as gold has so many natural grounds of preference on its side.
- 12 Tooke, after rejecting seriation the arguments for a change from a gold to a silver standard, says that "in other respects it would be the substitution of the less convenient for the most convenient description of currency"
 - 13 Chambers writes in his chapter on money —

the true plan is to make it the only standard "

- "A substance has been employed as the chief circulating medium over the civilized world. Its own nature has made it the standard currency, though it is relieved and aided by other kinds of currency. This substance is gold, which by common consent people at the utmost extremities of the civilized world have used as their standard currency."
- 14 One of the main reasons for the preference of gold over silver is forcibly expressed by another writer (Dunning Macleod) —
- "The greater the intrinsic value of the metal, the better is it qualified to perform the functions of a currency" * * * * "The more rare and valuable the metal, the more portable and convenient would it be, so that a man might carry about with him, as it were, a concentrated essence of power of commanding services"

As John Stuart Mill observes-

- "There is an obvious convenience in making use of the more costly metal for larger payments and the cheaper one for smaller, and the only question relates to the mode in which this can best be done"
- 15 Mr N A Nicholson, in his work on the Science of Exchanges, says —
- "In a country where banknotes for very small amounts are permitted, as, for instance, the dollar notes of America, it matters little which of the two precious metals is chosen as the standard, provided there be one standard. In a country where these small notes are not permitted, gold is to be preferred to silver as the one standard."

Further on be resterates the opinion, thus -

"Gold therefore is to be proferred as the standard of value in countries where small banknotes are not permitted by law"

These remarks are fully applicable to India.

- 16 Even some of those authorities, for example, Ricardo and James Wilson, who prefer silver as the sole standard, make important admissions in favor of gold. Ricardo states that—
- "In favor of gold it may be said that its greater value under a smaller bulk sminantly qualifies it for the standard in an opulant country

James Wilson says -

- "No one will be inclined to deny that if we had to begin a system of currency de zoro the most convenient of all the various systems now in practice would be found to be that used in England, where gold is the standard, and silver tokens of limited tender the subordinate coins."
- 17 Now these considerations of political economy are just as applicable to India as to any other civilized country. It will hardly be denied that India as a civilized country. Although civilization, in a politicoconomic sense, is not so diffused in India as in Europe though the mass of the people are less civilized than the corresponding classes of an European people, still India has a fair proportion of civilization, has a large field for the exercise of political economy—all which though mean siderable relative to the visitness of the country, is considerable absolutely. Though on the whole a poor country certainly, still India is, in parts, rich enough, has, within particular limits great wealth has exten sive transactions, has m some respects, much to do with money on a great scale.
- 18 It is no sufficient answer to this to say that the mass of the people never see anything better than copper money that it is only certain classes that see even silver and that but a comparatively limited number would see a gold currency if it existed. For the limited number who would see gold represent the most important classes of the country, just those classes whose skill enterprise, and intelligence, go far to make the fortune of the nation. If the sections of the people who would use gold were summed up they would be found to represent a great and growing interest. And if they really require a gold currency, that would be a strong reason for introducing it.
- 19 Again, if it be supposed that such currency were not so urgently wanted for the interior of the country generally, still the question would

remain as to whether it is wanted for the larger transactions of the inland trade and especially for the foreign trade? It is not so easy to gauge the inland or interportal trade. But we know the extent of the foreign trade exactly, and we can see what a mighty interest that represents

- 20 But the number of persons in all India who would use a gold currency is not so limited as seems to be supposed. It may be mentally meisured in this way. With our five-rupee gold piece legal tender, every one who had to pay five rupees or more in metallic currency (unless he paid in currency notes) would pay in gold. Every one who kept, or hoarded five rupees and upwards in treasure would use gold. Let us compute by our own notions (we cannot ascertain exactly) what the number must be of payments of five rupees and upwards in all India within any year. Sincely it must be very great, quite great enough to justify the consideration of measures for introducing a gold currency.
- 21 Or, let us suppose that, following the example of the five-france gold comage, or forming the easily concervable notion of a five-shilling gold piece, we were to have gold coms of lesser denomination than five rupees (for which the authority of M'Culloch might be cited)—say, for example, that we were to have 2½-rupee gold pieces, then every payment of metallic currency of 2½ rupees and upwards would be made in gold, if there were a gold emisency. How very great, then, must the number be of such payments in a year
- 22 But in these, as in other matters, there is such a thing as national prejudice. It is conceivable that such a population as the Indian might have some national prejudice against gold. But have they, in fact, any such prejudice against gold pieces? No, they have not. Quite the contrary, their prejudice, if they have any, is entirely in favor of gold. The imperial dynastics which preceded us in India had a gold currency. Some comparatively ancient gold coins have still a limited circulation, and enjoy the highest repute. It is remarkable that the gold coins which issue from the British mints in India mostly find their way to Native States. It may be said, in general terms, that on our accession to power in India, we found a gold currency existing conjointly with the silver currency, and it was reserved for us to accord silver the dominant and exclusive position which it now holds in the currency. My own belief is, that few nations have, in their own minds, a higher appreciation of gold than the natives of India.

- 23 It was in 1835 that silver was made the sole legal tender in India, gold, however, ceasing to be a legal tender, was still receivable at the treasures in payment of Government dues. Even this was stopped in 1853 The prohibition was withdrawn in 1869, since which time the gold pieces have been and are receivable at the treasury as before
- 24 This measure, however sound in principle, has not proved efficact ons. Indeed, the state of the exchanges prevailing since that time has not been such as to cause the importation of gold bullion. And, indeed, nothing can bring about a permanent influx of gold while gold pieces are not legal tender.
 - 25 Upon this point M'Culloch writes thus -
 - "Silver has become in India, in fact as well as in law the sole legal tender
- There are, at the same time, various circumstances which make it much to be regretted that an attempt abould have been made to exclude gold from the currency of India.

 Had gold been allowed to circulate as coin it would have been extensively employed in making large payments and it would also have been extensively hoarded.

 It would be good policy to ra-introduce a gold currency
- 26 M'Culloch further makes a remark which I shall cite in this place. After explaining that gold would if it had a fair chance, cir culate in India as well as silver he goes on to say—
- "In that case the increased demand for gold

 "In that case the increased demand for silver have checked any tendency it may have had to rise."

Sir Wilham Mansfield (new Lord Sandhurst) elaborated this same point in 1864. He estimated that the exclusion of gold from the cur rency caused a rise of 5 per cent. in the price of silver and held that this led to mjustice towards the land holding classes of India, who pay land revenue fixed for long periods or in perpetuity

27 Whether we go to the full length of these conclusions or not still we can hardly doubt that to virtually oblige the people of India (as we indeed do oblige them by our present system) to use only one precious metal for currency, when they might have had two precious metals, is to enhance the price of that one precious metal, silver and thereby to put them to considerable expense unnecessarily. They must have the silver for currency use and they must purchase it with their prodoce. If the price be enhanced, say by even a small percentage, then let the aguificance of that be considered. The amount of silver in circulation cannot of course be stated, but it must evidently be very great—supposed to be at least 150 millions sterling in value, sometimes even estimated at more than 200 millions. Tooks a History of Prices, Vol VI, page 723 gives the amount at 400 millions. But that includes silver Tor orms.

ments and other purposes. It is not material to the present argument to discuss what the estimate ought to be. The amount, whatever it may be, has been purchased by the people of India. Then even a small percentage on either sum would give an extra expense of several millions, to which the people have been unnecessarily put. Such an estimate is not precise indeed, but it may serve to give some idea of the possible loss occasioned to India.

28 Again, to use gold instead of silver come is to effect a great saving in minimiz charges and in wear and tear, or, per contra, to oblige the people to use silver come when they might use gold, is to put them to the expense of about fifteen times as much minimize and wear and tear of coinage as might otherwise have been necessary. This cost may be relatively small, from one to two per cent on value of coins; still let us remember the amount of silver coined in India since 1835, about 197 millions, and we shall see that even a small percentage on this vast sum would be an appreciable amount. It follows that this amount might have been to a large extent saved to the country had there been a gold currency. Sir W. Mansfield summarizes the advantages of gold as—

" 1st, superior portability,"

"2nd, decrease of wastage,"

"3rd, economy in mintage,"

and he describes these as "elements of cheapness which have a marked effect in asserting the superiority of gold"

- 29 It is often said in effect that the certainty of silver always being largely employed as euiteney in a comparatively poor country like India is a reason why a gold currency is not wanted. But I contend, on the contrary, that this very circumstance is one of the reasons why a gold currency is wanted, because it tends to steady the price of that silver which is one of the necessaries of the national life.
- 30 On the whole, it seems clear that while, in all other branches and departments of administration, we endeavour to give to India the best of everything so far as we can, yet, in respect to metallic currency, we deliberately withhold from her the first-rate article and afford her a second-rate one
- 31 The foregoing considerations apply to India in common with other countries where there may be commerce and accumulated wealth But there are special reasons in India why a silver currency without any gold currency must be inconvenient. In other words, there are, in addition to the general reasons, special reasons why India ought to have a gold currency

- 32 The continent of Europe, and especially the United Kingdom, obtain both gold and alver from about the same distance in the case of each metal. Those countries have commercial relations with gold and silver producing regions. Gold comes direct from America, so does alver
- 88 With India the case is different. She has but slight commercial relations with America, and consequently she has to obtain silver through the medium of England. This is, to some extent, a disadvantage, and must involve various obarges, direct and indirect She has also to obtain the silver in which her currency solely consists, from an immense distance
- 34 On the other hand, she could obtain gold from Australia direct, without employing any other country as a medium and from a much shorter distance. Thus it would appear that, from its situation, Australia with its gold producing regions is the natural source of supply of the presents metal to India. It is the present system of the metallo currency that prevents India from availing herself of the great natural advantage offered by Australia in this respect, and forces her to obtain her specie under comparatively disadvantageous circumstances

35 As Colonel Smith the Mint Master has well expressed it-

"The advantages of introducing gold lote the currency of our vasi dependency need not be here insisted upon. They may be informed from the unanimous wish of the inhabitants for a less cumbrons means of exchange, from the benefit to be derived by the whole cavilised world from Indias taking her share of the increased produce of the gold mines, and from the anomalous spectacle exhibited for many years past, of ahips freighted with gold traversing half the globe in one direction crossing ships conveying an equal value of silver in the opposite direction, for the adjustment of belances of trade capable of settlement without either voyage, and with a saving of expense of a quarter of a million stering annually"

36 Sir William Mansfield (now Lord Sandhurst) put the case thus

There can be no good reason to compel the precious metals to make the journey from Australia round by London to India, instead of coming direct to the latter country. Yet that is what, to a certain extent, necessarily takes place, and which throw heavy changes on the metal ordained as a legal tender cus, silver. The gold of Australia must go to London to be exchanged for silver which is them sent out to India after being bought at an artificially high price in Europe and the United States. The European markets are the middlemen who obtain their profite on the silver sent to India to restore the bulance of trade."

37. Sir Charles Trevely an ably set forth the same point thus.

"England has a southern as well as an eastern empire, and the great staple of that southern empire is gold. Owing to the exclusion of gold from the Indian currency, the trade with Australia is chiefly carried on in this way. The gold of Australia is sent to England, where it is employed in buying silver, and the silver is sent to India burdened with the charges of the double voyage and with the additional interest accrued during the long period occupied by it. The cotton and other exports of India are charged with the extra expense arising from this circuitous mode of payment. Even a worse result is, that the trade cannot be carried on in a regular manner. The gold remains in the Bank of England until the Indian demand sets in, and then it is suddenly withdrawn to sweep the continent of silver for transmission to India."

- 38 The fact that the trade between India and Australia is not great, and is not likely to grow essentially, would not of course constitute a difficulty. It is time that if India received a large amount of gold from Australia, she would not be able to send her produce to Australia in return. But the balance in favor of Australia would be settled and adjusted in the trade between India and England and England and Australia. India has extensive claims upon England for produce exported thither. She would transfer to Australia a portion of those claims and thus pay for the gold.
- 39 The adjustments which take place in China will afford an illustration. China owes India, yearly, a large sum for opium. She does not wholly pay this debt by produce or treasure. She pays, in part, by transferring to India her claims upon England for Chinese produce exported thither
- But, further, there is one marked peculiarity in the situation of India,—which is perhaps almost unique in the world,—in that she has annually to remit to England money to the sum of many millions. The hability is as serious as it is inevitable, and the cost of so vast a remittance amounts to nearly half a million pounds annually, and sometimes more.
- 41 While the Indian currency is in silver only, the principal means of iemittance must be silver. Under these circumstances India will never possess gold in adequate quantities. The balance due to her on trade will be paid in silver, in the main, she must take that metal and none other. And she will possess no other precious metal wherewith to

pay whatever there is to be paid by her in specie. She will have, then, only her silver and her produce wherewith to discharge her obliga-

- 42 But, as England has a gold currency, the payments must be made in that metal, so far as they have to be made in money at all. And as India has to pay in gold she must obtain gold either by means of her silver or her produce. This is the real basis of the transaction though, in practice India does not generally make her payments in specie. She receive gold in England from purchasers of hills called council drafts, and pays to the holders of these drafts silver from the Indian treasures But the payments are settled and adjusted in gold, and the difference chargeable to her on this adjustment comes to the same thing as if she had purchased with silver or produce the gold wherewith to make payment.
 - 43 This arrangement appears to be inconvenient to India in various ways.
 - 44 In the first place she obtains her silver through England The cost of effecting this is considerable the charge of exchanging silver in her own limits for gold in England and the cost of that again is considerable. It would be more economical and more convenient if she herself possessed the gold in which the payments had to be made. If her currency were to be gold then she would always possess quantities of the very metal in which her obligations have to be discharged and her account adjusted.
 - 45 If the currency of England had been silver, then the argument would be somewhat altered. At present India has a sort of double difficulty. Firstly, she has to make this great payment annually in itself a difficulty. Then she has the additional difficulty of purchasing the metal in which the payment is calculated. This additional hurden is caused by the present state of the currency. And this must aggravate the charges to which India is subject.
 - 46 Again under the existing status the relative value of silver to gold is the regulator in all respects, of the cost of these transactions to India. The value of silver is, of course, hable to fluctuations. For, the

value of gold in England being determined by law, and that of silver being not so determined, these fluctuations as regards silver are appreciably great, and are sometimes embarrassing by reason of the trouble and expense which they cause. Within India the value of silver is indeed determined by law, but that fact is of no use nor validity in respect to the exchange with England. Now this difficulty would be mitigated, perhaps almost removed, if India had also a gold currency, with the same status as that of England, that is, with the value determined by law.

47. Mr. Goschen, in his work on Foreign Exchanges, writes-

"Considering the case between silver and gold. When a bill on Hamburg payable in silver is bought in London for a certain price, payable in sovereigns, what will determine the value?

* Gold is simply merchandise in such countries as have a gold standard, and, according to the price of the merchandise at a given moment, so will the exchanges fluctuate. When a bill on Hamburg is to be sold on London, all the previous elements of value will have to be taken into consideration,—the rate of interest in the two countries, the state of credit, relative indebtedness, and so forth, but the value of silver in England will enter largely into consideration, or, in the opposite case, the value of gold in Hamburg."

Now it seems to me that, mutato nomine, the same story might be told of the exchange between England and her Indian dependencies, and that the process inevitably places India at a disadvantage

- 48 Thus I contend that there should be one standard only of value for the two countries, in other words, that the standard for India should be the same as that for England, that India is specially entitled to this advantage, because she is more conveniently suited as respects the gold-producing regions than the silver-producing regions, and because gold is the currency of the country to which India has to make such great payments, and that a gold currency would not only cause a saving to India in the procuring of so important an article as specie, but would also lessen the difficulties arising from the pecuniary obligations of India towards England.
- 49 There is one more point to be noticed, which is this It is observed by the Financial Secretary, Mr. R B Chapman, that when, upon

the establishment of a gold standard, silver came to be demonstraed, and the intrinsic value of the rupes to be diminished, the effect on the native mind would be bed. Mr Chapman's words are, "It follows that we shall have to substitute for the use of the masses of our population a token silver currency for the present full value currency. Are we at all certain what the effect of this will be upon the ignorant population? Or how a silver token currency will work alongside of a full value Native State silver currency?

50 It is quite true that the natives will always look to the intrinsic as well as to the nominal value of the rupes. Though the new rupes, with a less intrinsic value of say 6 per cent., may pass in currency for the same value as the old rupee still the natives will not estimate it so highly as the old rupes, because they use rupees for melting and for hoarding as well as for currency All this may be admitted to the full But what then? I fail to perceive what evil would follow that the natives would prefer the rupees of Native States in which the proportion of alloy might be less than in the demonstrated British rupoe. It might not be of much consequence if this were to be the case But it by no means follows that any such consequence would arise. If natives closely estimate the grains of fine silver in the rupes they will weigh accurately the British rupee against the native rupee. And the British rupes will be valued at its weight in fine silver at least. Besides this, it would have the advantage of being legal tender in British territory for small amounts which the native rupees would not. And this advantage must secure the preference to the British over the native rupee, as silver to silver

51 It might be said of course that the British rupes would cease to possess the estimation it now possesses, and this portion of our ourrency would decline in reputation. Very true no doubt. But, on the other hand we should have given the country a gold currency, the come of which would ruse rapidly to the highest repute, and to a degree of estimation to which even our silver has never yet risen. I believe that no coins that ever were comed in this country would be so popular as the gold legal tender comage of the British Government. In other words, while we deprive the people of the old silver standard, we give them in return, a superior gold standard. And thus the last state of the currency would be far better than the first.

52	Further, it is	sometimes	urged	as a	reason	agamst	mtroducing	a
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•	0	a support against mirror a
SILVER COINAGE	£	gold currency that there is never likely to be a sufficient quantity
From 1801 to 1834-35 ,, 1835-36 to 1870-71	63,631,833 196,776,414	of gold available to justify its
	260,408,247	being declared legal tender The quantity of specie required for cir-
GOLD COINAGE		culation in India was estimated,
From 1801 to 1834-35 ,, 1835-36 to 1870 71	11,060,149 2,061,972	fifteen years since, at 150 millions
	13,122,120	sterling, or rather that was the
TOTAL GOLD AND SILVER CO	INAGE	supposed value of the silver coins in circulation Within this century,
From 1801 to 1834-35 , 1835 36 to 1870-71	74,691,981 198,838,386	the net importation of gold has
	273,530,367	exceeded 99 millions, but only a small portion of it has been coined.
Imports, Gold		Having regard to the long period
From 1801 to 1834-35 ,, 1835 36 to 1870-71	9,455,635 95,030,569	that coin lasts, the coinage, gold and silver, may now be estimated
	104,486,204	at more than 150 millions steiling,
EXPORTS, GOLD		and the amount of gold bullion
From 1801 to 1834-35 , 1835-36 to 1870-71	2,033,442 3,015,342	and specie in India is within this amount. These several quantities
	5,048,784	may not, indeed, be piecisely
NET IMPORTS	99,437,420	known But it is quite true that the amount of gold available or

obtainable in India, under present circumstances, is small as compared with silver and is not as yet, nearly enough for what the requirements of the country would be after gold being declared legal tender though I admit all this to the full as fact, I do not at all admit it as a 1eason for refraining to declare gold to be legal tender For manifestly gold, having been once declared to be legal tender, would become one of the needs of the national existence Gold would be an article which the country must purchase, and with its large surplus of exported produce over imported goods, and with an ample balance of trade in its favor, the country would have no difficulty in purchasing gold, which metal it could, as has been seen already, obtain direct from Australia on reasonable, perhaps even on favorable terms. If, then, the need of gold for currency in India were to be anticipated, its influx into the country would be a matter of a few months, perhaps only of a few weeks, and the want would hardly have begun to be felt before it was supplied

58 Before concluding, I would add that experience does not shake my belief that the relative value of gold and silver is represented accord ing to scientific theory and principle by the present gold comage of India, that is 120 grain gold piece to 10 rupees, that the present rate offered by the Government of India in 1869 for the English and Australian sovereign 104 rupees (ten rupees and four annas) coincides as nearly as possible with that standard, and that the conclusions arrived at by the Currency Commission in 1867 are sound. It is true that very few sovereigns have been received in the treasuries since 1869 hat this cir cumstance is attributable not to any defect in the rating (104 rupees to the sovereign), but to the state of the exchanges which has precluded the importation of gold bullion, silver being the sole legal tender. How can gold compete with silver in India while the latter has a value fixed by law and the former has not? I understand that, as a matter of fact, gold can still be laid down in India at something less than Rs. 101 for the sovereign and that so far the Rs. 104 rate must yield a profit on the importation. If that he so then this rate would still seem to be the right one. And the non-arrival of gold must apparently be due to artificial causes, which amount to this, that gold is at a disadvantage as compared to silver which is favored by law. If this be so, then the fact that gold sovereigns command in the market, at most times a higher price than Rs. 104 and the 120 grain gold piece a higher price than Rs. 10 must be owing to adventitions causes, and to the circum stance that the supply of these coms being very limited there is a sort of fancy demand for them which is no criterion of what their value would be under a different status

54 Those who dissent from the above named determination of relative value base their argument on the fact that this assumes a proportion of exactly 15 to 1 gold to silver whereas at many periods in England, and of late years in India the market prices show a proportion of something more than 15 to 1. But then the prices are affected in England by the fact that gold has a value determined by law and silver not; while vice versa in India silver has a value determined by law and gold has not. And this consideration renders it impossible to determine relative value precisely by these prices. One cardinal test is this take the cost at which gold and silver can be laid down, is, and generally has been, laid down in India, counting the charges for bullion, freight, insurance brokerage, and segnorage, and then the proportion of 15 to 1 would

appear correct and proper as regards this question at issue; and it would seem that gold could be profitably imported at the present rating

On the other hand, M1. John Norman of Calentia, a gentleman of great knowledge and experience, in a letter which will be found among the appendices of this minute, endeavours to show that 15 to 1 would practically exclude gold, that 15½ would exclude silver, and considers that with 15½, or even 15¼, very large amounts of gold would be presented for comage.

- 55. I still hold to the opinion that if it were determined to have a gold currency, we should mainly employ our Indian gold coins for that purpose I would not object to make the sovereign a legal tender for ten rupees and four annua. But the sovereign being worth ten rupees and a fraction over, there might be some slight trouble of calculation in changing it for silver, and this would be a drawback in respect of the use of the sovereign as currency in India. And if this objection were urged, I would not press for the sovereign being declared legal tender. But we should continue, under any encumstances, to receive the sovereign in our treasuries at the present rating, or at whatever rating might be fixed.
- 56 I believe that a repugnance is felt by some to the present determination of the question of a gold currency in India, because of the prospect of some universal coin being adopted internationally. But the prospect seems, practically, to be almost disappearing. At all events the report of the English Commission on international coinage, presided over by Lord Halifax, seems to be quite adverse to any change in the value of the English sovereign.
- 57 I have not dealt with the objection which has been sometimes urged to a gold currency, to the effect that the national debt, and the paper currency are calculated in rupees. For the objection has been disposed of more than once in the papers relating to gold. The sum seems to me to be this—we promised to pay in rupees and we should pay in gold determined by law to be equivalent to rupees.
- 58. I have hardly in this paper undertaken to treat of all the points connected with this important subject, still less to discuss all the collateral matters which might suggest themselves for discussion. But the subject in all its bearings has been dealt with in the report of the Indian Currency Commission of 1867, in the volume of printed papers relating

to gold currency in India, in the file of correspondence relating to this revised notification of 1809 70 and in the additional papers now submitted. I am unwilling to add more than I can help to the mass of writing which already exists.

- 50 In conclusion, I would ask early and favorable consideration to the proposals of Mr Dickson, which I will give in his own words
 - "L-To authorize the receipt of English and Australian sovereigns into all the Governme t treasures of India without restriction, and whether tandered in payment of Government dues or in exchange for silver
 - "II.—In conformity with the provinces of the Currency Act to authorize the issue of currency notes in exchange for gold bullion tendened at the mint for coinage into Indian gold sovereigns at the rate of 10 rupers for 120 grains of gold of standard fineness, less sergiograps."

I behave that these recommendations are safe and practical. They are the first steps towards a gold currency. If they succeeded their usefulness would be too plain to require description. If they did not succeed, still no harm would be done. If in censequence we see to have any quantity of gold on our hands which could not be con veniently disposed of in India, we could use it for the remittances to England without loss, and perhaps even with profit.

60 But if after the adoption of such measures gold bullion should not be imported if sovereigns should not be received at the treasuries if doubt still existed as to whether the relative value of gold and silver is correctly determined by our present rating and comage then I hope that the matter may not be allowed to drop. If the present rating of 101 rupees and the present weight of 126 grains are not proper (as hitherto we have affirmed that they are) then what rate and what weight are proper? If the proportion of exactly 15 to I be not the proper one, as we have said it is then what is the proper proportion? Can any one really prove that it ought to be a fraction below, or a fraction above 15 to 1? Nobody supposes that we have offered too much silver for the gold then, if this offer be not the proper one is it really too httle? Ought we to offer more? These are questions which as I submit, the Government of India ought to be able to determine. These are questions which have been determined by every civilized nation that has adopted a gold currency No doubt it is a difficult and important problem but it cannot be insoluble and it ought to be solved. If the enquines which have been made and the data which are available, be not

sufficient, then let another commission be appointed, so that the matter could be brought to an issue one way or the other; and that all the facts and considerations could be brought up to date.

If the Government could now make up its mind that the introduction of a gold currency is among the real needs of the country and ought to be practically taken up, then I recommend immediately the appointment of a commission to investigate once more, and, as I should hope, finally the question of the relative valuation of gold and silver

Note by George Dickson, Esq., Secretary and Treasurer, Bank of Bengal, on a Gold Currency for India,—dated 15th January 1872.

The question submitted for consideration is, whether it is expedient or inexpedient for the Finance Minister of the Government of India to move further in the attempt of having a gold currency in this empire

Since the subject was considered by the committee in India, presided over by Loid Sandhuist, it has undergone considerable discussion both here and in England.

The result, so far as I have read and ascertained, goes to deepen the conviction I have been privileged to express to you in former minutes, that the conclusions arrived at by the committee which sat in India are eminently sound and unassailable

Such being the convictions I hold, I reply to your enquiry (1) by saying that, in my judgment, the present is a favorable and opportune time for taking another forward step towards the accomplishment of what every one apparently so much desires

The chief difficulty is of course the inadequate supply of gold at present in the Indian markets, former supplies having either been absorbed for other purposes than those of currency, or exported to foreign countries. It may be received as a sound axiom that no Government could seriously entertain the idea of changing its standard, or introducing an alternative measure of value, without a sufficient supply of the precious metals to fairly initiate the object in view

This being so, the question naturally arises, "When is India likely to have such a supply of gold at command as may enable the Government of India to change the standard of value, so as to cause the least disturbance in her internal and foreign relations?"

As Iudia is ueither a gold nor a silver producing country, the same causes which have operated in securing for ber a continuous supply of solver will, in like manner, continue to draw gold to ber markets, proyided it finds a ready sale at a determined minimum value—a point more fully adverted to heremafter As a rule, India has a large balance of trade in her favor, arising out of her commercial relations with other countries Although the adjustment of this balance is in part, effected by the Secretary of States drawings on the Indian treasures for bome dishursements, and by divers causes more fully adverted to in other minutes, yet in the long run, a considerable sum must be ducharged either in gold or in silver. Further the business operations of the exchange banks, at a time when exchange rules high will have a very material effect in adding to our supplies of gold. Silver being legal tender in Indus at a value below which it cannot fall, the bulk of remittances in payment of her surplus claims is, for the most part, made in that metal. It is clear, therefore, that the causes which influence the movement of specie from one country to another affect gold and silver Without an act of Government declaring gold legal tender, it follows that some inducement must be held out to importers to insure them against loss resulting from a sudden fall in the price of gold in the markets of India. For, besides drawing her supplies from England Indus may safely look to another source for a fuller supply To balance her trade with Australia, England has a large amount to be paid to her in gold, and this gold instead of being sent direct to England, can often be more cheaply and profitably laid down in India for the purchase of claims on England. During several years past owing to a very limited import, and to a continuous adverse state of exchange, Australian and English sovereigns have commanded a much higher value than that assigned to them under the Government notification vis., Rs. 10 4

But, in the present neward tendency of exchange, owing to the unceasing development of the export trade, it is safe to assume that a very considerable influx of gold coin and bullion may again be looked for, and if so, prices will fall to the level of the Government rating

There is however ground for believing that the too restrictive nature of the notification anthorizing the receipt of gold into the treasures "only in payment of Government dues, and until further notice given at the option of Government,' tends unduly to check that free importation of gold which might reasonably be calculated on under the influence of a high rate of exchange

I have no doubt public writers and critics, who profess to have a complete knowledge of Indian finance, and the requirements of India generally, will find all manner of fault with such "half and half measures and as • Discussions by the Indian Association in Lordon.

fail to denounce them as being purely "ima ginary* and unsubstantial."

I am m your recollection when I recall the proposals made by some authorities in 1868 for meeting the difficulty in the way of introducing into India a gold currency by raising the intrinsic value of the rupee I ventured to point out in my minute of 9th May of that year, that such a measure, if adopted would in effect raise all public salaries increase the amount of the public debt, and render necessary the alteration of the value of Government currency notes. I revert to the proposal so made because towards the end of the same year the Royal Commission appointed to report on an international comage point out in very striking language, the evils likely to result from a proposal made to tamper with the value of the British sovereign, so as to make it identical with the French com of 25 francs. The proposal roused such a very strong feel ing in monetary circles in the city that ultimately it had to be withdrawn.

I wish to demonstrate, as clearly as possible, that, while the proposals which, with much deference I submit for your consideration, are progressive, and calculated to effect the object in view, they are at the same time, perfectly practical and safe, and, so far as Government is concorned, no harm is likely to arise, even should they result in complete failure.

The Secretary of State as you well know has to draw annually from the Indian treasures a very large amount. Last year if I mistake not, the selling rate of his monthly drawings was so low as to entail a loss of £600 000 on the revenues of India. If owing to an absence of de mand, combined with what I venture to call a very defective and injurious system exchange should fall to 1: 101d or 1: 101d he must either continue to offer his bills in the London market or call for a specie remittance from this side, which could be made only in the form of silver com or bullion. I need not enter into the results of such remittances and the prices realized but I may state generally that, making overy allowance for reduced freight and insurance as compared with previous years the experience we have had in the past, with one exceptional case

shows that the loss is very nearly 7½ per cent., or not better than a sale of the Secretary of State's bills at the rate of 1s 10½d. per rupee. I think, these facts being admitted, it follows that, under the existing order of things, the Secretary of State has no means of counteracting the downward tendency of exchange to a point so low as even 1s. 10¼d, nor can you materially aid him from this side so long as things remain as at present.

Such, however, could not possibly be the case, were the Indian treasures under the adoption of the measures proposed (and I may here observe—take all in, but give out none) in possession of either English or Australian sovereigns rated at Rs. 10-4 per pound sterling, or of bar gold purchased at the rates I have indicated

I submit, in corroboration of my argument, the following illustration. With the gold in possession, the Government of India could remit to the Secretary of State on the following conditions, taking the sum of £100 by way of example, viz. —

			Rs.	$\mathbf{A}\mathbf{s}$	P.
Value of 100 sovereigns at Re	s. 10-4 each		1,025	0	0
Freight and insurance, 10s	and 4s 7d pe	er cent.			
respectively	••	•••	5	6	8
Add sundry charges, packing,	&c	•••	0	3	4
			1,030	10	0
Equivalent of a bill on India	for £100 @ 1s	$11\frac{1}{4}d$.			
per rupee	•••	•	1,032	0	0
					_
	Difference	••	1	10	0
					=

In other words, gold could be exported from India and laid down in London at a cost of Rs 3-1 per cent (taking the rating of foreign sovereigns at Rs 10-4), or at a difference of 4 per cent in favor of the Government of India, as compared with the selling rate of the Secretary of State's bills, as we have seen it, at 1s $10\frac{1}{4}d$

Without entering more fully into this part of the subject, it may safely be taken for granted—

I —That the introduction of a gold currency into India will, in every respect, especially as regards portability, be more convenient and advantageous than the existing silver currency

- II —That, by the removal of certain existing restrictions, a supply of gold, sufficient to make the attempt to initiate the change, may reasonably be reckoned on in the present state of the money market.
- III —That the proposed gold com for India, containing 120 grains of standard fineness will not only be as near as possible to its intrinsic market value relative to silver, but any supposed injustice to the public creditor and any confusion in the mode of keeping accounts will be avoided. All value as at present, will be expressed in rupees, all commodities bargained for in rupees the public accounts kept in rupees, and the currency notes left as they are only payments will be made in the new countries.
- IV —That, by declaring the English and Australian sovereign as legal tender at Rs. 10-4 along with the Indian one of Rs. 10 a large amount of ready made coin will always be available for immediate circulation at a great saving to India.

With regard to this last point, I may mention that an able writer, Mr F Hendricks, in an excellent paper on the Indian gold coinage, recently read before the Society of Arts in London, takes a great deal of trouble to prove that the proposed rating is not scientifically accurate or as he states it is 'unreal, imaginary and infected with error'

This point was not lost sight of by our local committee for although the English and Australian sovereigns have been rated at Rs. 10-4 with a view to avoid a more complex decimal proportion they are in reality intrinsically worth a little more relatively to the ten rupes gold comof India.

The matter was before the committee in this shape, vis, that if a coin containing 120 grains of gold of standard fineness be worth Rs 10 a coin containing 123 274 of the same fineness ought, by the rule of proportion, to be worth Rs 10-4-4383 but, to avoid complex calculations and because it would be more desirable to leave the functions of the currency to the Indian coin alone, should the small difference in the exact rating of the foreign sovereign ultimately drive it out of the circulation of India the committee did not deem it necessary to observe strict scientific rating. I may also add that the very slight undervaluing of the English covereign will not interfere with its importation, as

the difference is more than counterbalanced by the seignorage to which gold bullion is subjected under our mint regulations, while the mintage in England is free

The objections of these gentlemen were directed against the proposed coinage for India, in the hope that India might be induced to fall in with the proposed scheme of an international coinage, for, says Mr Hendricks—

"Fortunately for the prospects of an international coinage for India, it may be considered, in conjunction with the proposal of Mr Lowe, to reduce the British sovereign to the extent of 0 87813 per cent, in order to make it identical with 25 francs of gold"

It would be a mere waste of time to enter on such a mare magnum as the advantages or disadvantages of an international coinage. No doubt, if all the nations of the globe were in a position to commence life anew, they would be at liberty, and might arrange, to mould their currency in such a fashion as to establish a uniform standard of value.

It will, however, be more profitable to deal with facts as we find them, and turn them to the benefit of India if we can I have already adverted to the fact of Mi Lowe's proposal having been abandoned, and I shall now point out that the question of an European international coinage, instead of being nearer solution, has been practically removed further away by the recent action of Germany

As illustrative of the latent danger to India in relying on help from extraneous sources, I quote the points for discussion submitted to the Royal Commission on International Cornage, and signed by Lord Halifax

Suggestions of points for discussion by the Royal Commissioners on International Coinage

- "In order to establish either-
- "I -A common international coinage, or, if that should be impossible,
- "II —That, at any rate, one or more coins of universally recognized fineness and weight should be struck in different countries, forming part of the currency of each country, and being a legal tender and common standard measure of value in such countries,
- "it must be determined-
 - "1 Of what metal such com should be made
 - "2 What proportion of alloy it should contain.

- "3. What weight and dimensions should be assigned to any such coin or coins.
- "4. What security could be afforded that the actual value of the coin atruck in each country should always correspond with their denoministional value.
- "5. What deficiency in weight should exclude a coin from circulation
- *6. What authority it is necessary to establish in each country for with drawing light coins from circulation.
- "7 Whether any limit should be imposed on the amount of such coins to be struck in each country
- *8. Whether it would be necessary that in each country some one coin should be struck situates (ric) in fineness, weight, and dimensions, and, if so what coin would be the best common coin to adopt for the principal nations of Europe and America, regard being had to the coins already emiting in the different countries.
- "9 Whether any and what mintage or charge for the manufacture of the coin should be taken.
- "10. Whether any and what regulations as to the subsidiary coins in each country are necessary

If the above questions can be answered satisfactorily it will remain to consider with reference to this country—

- "1. What change would be necessary in our existing come.
- " 2. What effect such change would have-
 - "a On the public revenue:
 - " b On existing contracts and engagements, public and private
 - e On current commercial transactions:
 - d On the ordinary operations of trade and interchange of commodities
 - " a. On the general convenience of the public.
- "3. In what time a change of the existing standard com could be effected
- "4. The cost of such change if no mintage is charged.
- " 5. What provisions should be made as to the existing come during the change.
- "Finally whether the advantage of a common international coin overbalances the inconvenience of the change."

HALIFAX.

It is enough, for my present purpose to state that the conclusions of the Royal Commission are dead against the proposal to reduce the value of the pound sterling to 25 france, on the ground mainly that it would disturb all existing obligations, and cause many and serious difficulties detailed in their report, and shadowed forth in the note bearing the signature of Lord Halifax. That the course followed by Germany in having a coin suited to her own wants, usages, and necessities is the safest and most practical course, I will endeavour to prove in as few words as possible. Germany, under a silver standard of value now in process of being changed, has the three following principal coins in circulation, viz.—

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The Prussian thaler, valued @ 2s 11d in sterling The gulden, ,, ,, 2s, ,, ..., 1s 8d ,,
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The new gold coms proposed, and being struck now, are—

20-mark piece (gold), value 19s 7d in sterling, and equal to $6\frac{2}{3}$ thalers

1-mark piece (silver), value $11\frac{3}{4}d$ and equal to $\frac{1}{3}$ thaler

It does not strike one at first sight why the ratio of 20-mark piece to the thaler had not, under the new arrangement, been made less complex, but as I am not in possession of the reasons which induced the adoption of this particular proportion, it is probably the best that existing circumstances could admit of, and carried out with the view of changing at an early period the unit of value from thaler to mark

The German Government have thus acted without reference to the relative weight of the sovereign, 25-franc piece, or any other foreign com whatever

I give the illustration as being the latest, and one that falls under our own observations

But suppose you were to listen to the theories of those philosophers, who so strongly insist on the adoption of an international scheme as the only one suited to India, I have had the following calculations worked out, and here is the result—Suppose (the 25-franc scheme being abandoned) India were to assimilate her gold coin of 120 grains to the English sovereign of 123 274, which has been valued, as already explained, at Rs 10-4, and suppose we go further and adopt another of the current theories, viz, a decimal system of coinage, the existing rupee of 180 grains would require to be increased in weight to 184 5 grains, so that it may represent the one-tenth part of the sovereign, and, in order to complete the whole process, the copper token, which now denotes one sixty-fourth part of the rupee, would have to be so altered as to represent one-hundredth of the new rupee. Nothing apparently is more simple

than to have m this way both an international coinage and the decimal system—for have we not thereby a gold coin corresponding in every respect to the English sovereign and a silver rupee representing the one-tenth part of the sovereign, and the copper token the one-hundredth part of the rupee?

But, as a matter for practical working (apart from all other objections), let us take the two following examples

- I.—A maund of gram, under the existing ourrency sells at Ra. 2-2, how much will the buyer have to pay with the proposed new rupee?
- II —You have to pay a balance of wages to your servant of Rs 7 9 6, what sum measured in the new rupee is he entitled to?

They may serve as arithmetical puzzles for the amusement of an expert accountant and even in time probably, the public might find out that, as the value of the rupce has been increased by one-fortieth part, so has its purchasing power increased in proportion and that to pay for the grain in the new coin one must deduct a one forty first part of 2 new rupces and a one forty first part of 12 5 cents, the latter being equal to the two annas. I write all this with a full knowledge of my second letter of 9th May 1868 wherein I advert to the process of converting the Sicca into the Company simpset to which I would respectfully, refer you. I would only venture to repeat that, as I stated in my first letter of 9th May 1868 —

"Any alteration in the standard of value, I do not mean from one measure of raise to another; *e g., from silver to gold or gold to silver but a lowering or raising its established value in relation to other commodities, is calculated to throw every thing into confusion. I think the experiment would be a dangerous one; and I have a strong feeling about leaving alone the present measure of value viz., the rupper There is no necessity for disturbing it, and any attempt to tamper with it would, in my judgment, be very hazardous. On every consideration it appears more desirable to rate the English and Australian sovereigns at Rs. 10-4, and to com new sovereigns or gold pieces for India containing 120 grains, which will be an exact multiple of our present ruppe. Thus you will leave your present measure of value unlocabed, you will admit the English sovereign of 123-274 para passes with the Indian one of 130 grains, you have besides your mobur of 180 grains, your half-sovereign and your half ruppes."

I would not venture to recall to your mind these sentences, were it not that I know you have a strong desire to give India the benefit of a gold currency, and because I believe that, if successfully carried out, a great question will have been finally settled during your administration of the finances. At any rate, my very humble views as to the real practical mode of dealing with such an important question have received a strong confirmation (1) by the rejection, by the first authorities alive, of the proposal for altering the value of the English sovereign, and (2) by the adoption by Germany of a gold coin of her own, inhibe that of her neighbours

One other aspect of this important matter I venture to submit for your consideration. It is an admitted fact that, in the mutual intercourse between two countries, the one having a gold and the other a silver currency, more frequent and wider oscillations in the late of exchange do occur than between countries where the ennency is alike in both, Take the case of England, with a gold currency, having a claim upon India where silver only is current. India must either pay in silver, which has no determined value in England, except as an article of meichandise hable to the fluctuations of the English market, or India must pay her debt in gold, of which she has but a scanty supply, and for which, therefore, she will most likely have to pay a high premium. The same considerations will apply in the reverse case Either way the rate of exchange will be governed with a due regard to the cost of remittance, and the probable loss on specie shipments Looking to the present magnitude of England's special claims against India, and the prospective merease thereto by reason of large additional loans being needed for railway extension and irrigation purposes, the interest on which will fall to be added to the aheady overgrown amount of the Secretary of State's yearly drawings on the Indian treasures, I have no hesitation in saying that, under the operation of the proposal submitted for adoption, India will at least possess a powerful corrective of the rate of exchange ruling in the London market, even should the Secretary of State withhold his sanction to making gold legal tender in India.

I might enlarge on the importance of the question from this point of view to the finances of India, but I will not weary you. It is clear to me that the equilibrium between the revenue and expenditure of India is closely bound up in the rate of exchange between England and India. It is a fallacy to suppose that by raising a loan in England at a fixed rate, say 5 per cent, India pays an annuity on the amount at that rate only and no more. So long as the interest is payable in ster-

542

ling in London, and the Secretary of State has to sell his bills payable in rupees, which he can seldom do without loss, the rate of interest, so far as the revenues of India are concerned, is much over 5 per cent. If the present system is to be continued during the progress of the works and until they become productive, the revenues must bear not only the loss of interest but also the loss in exchange, hitherto expressed at 1s 10d. per rupee in contracts between Railway Companies and the Secretary of State

In conclusion, I presume to say that it is a sound maxim for the statesman, as well as the man of business not to embark in any scheme from which a creditable mode of escape does not exist, in the event of a complete or partial failure. Should the Secretary of State, while the experiment is being made for encouraging the importation of gold into India, decline to sanction its being declared legal tender, then you can request him to hold his hand for a time to send him a remittance in gold which I have shown to be worth 1s 111d per rupee at the mint of England.

On the other hand, should your action be successful, and should you thereby obtain a sufficiency of gold to initiate the proposed change with the full sanotion of the Secretary of State, then any danger which may possibly arise from an excessive accumulation of gold in the Currency Department and the Government Treasuries will at once be removed.

My remarks on the contemplated usue of a five-rupee legal tender note I reserve in the meantime

Second Note on the Indian Gold Currency by Globan Dioxson, Esq. Secretary and Treasurer Bank of Bengal,—dated 7th February 1872

Since I wrote the minute of 15th January, the Financial Secretary has been good enough to place in my hands the official minutes of the Council of India, bearing date the 30th January 1800 Mr Chapman has, at the same time, asked me to consider carefully the objectious raised by the Honorable John Strachey as to the soundness of the conclusions arrived at by the majority of the Council

If I now attempt to do so in a spirit of fairness, I hope it will be clearly understood that I venture to give expression to opinions in aid of those who are much more competent to deal with the subject than I am, solely with a view to the solution of a very difficult and important subject. I must, however, confess that I have been much impressed with the force and ability displayed in Mr. Strachey's paper Though his reasoning has failed to produce conviction in my mind, that the measures adopted by the majority of the Council were in the least illadvised, I agree with him, in principle, when he says that it would be extreme infatuation for Government to adopt any measure which deliberately aims at the contraction of that portion of the circulating medium which is most required for the purposes of the commerce of the country. Being fully convinced, however, of the soundness of the views expressed on the other side by His Excellency Lord Sandhurst and yourself, I shall with much deference endeavour to prove that fundamental errors underlie the whole of Mr Strachey's argument perhaps, be more convenient to state in this place that I concur in the opinions expressed by Loid Sandhurst and Mr Strachey regarding the proposals of the Mint Masters

Without referring at any great length to the various reasons adduced by Mr Strachey in support of his objection to the lating of the English and Australian sovereign at Rs 10-4, I take up the main arguments only, to which, in fact, all the others are reducible—

- I -That the rating will not attract sovereigns to the treasuries, because Rs 10-4 is below the average market price
- II—That if, notwithstanding this low rating, sovereigns do come into the treasures in large amounts, they will not pass into circulation with silver coins, because the relative values of gold and silver, as fixed by the Indian Act of 1835, and to which valuation the Notification of 28th October 1868 closely adheres, differ, in their respective proportions, from the relative values of the same metals which have prevailed in the markets of Europe

At first sight, the experience of the few years which we have had since M1 Strachey's minute was penned, would seem to confirm the conclusion at which he has arrived, viz, that the sovereign has a higher value in the Indian market than Rs 10-4, for it is perfectly true that the average market piece has been Rs 10-8. But bearing in mind the fact that gold has no legal currency in this country, I affirm that the

market price is no sound or true criterion of its ultimate value. In discussing this important point we must go back to first principles. Much of the confusion that envelopes the question, and has led many author thes into error, is, I think, clearly truecable to a non-appreciation of the very point raised in Mr Strachey's paper

It is singular enough that, although Mr Strachey supports his own conclusions upon the authority of Mr Arbuthnot yet the very passage quoted by him from the minute of the latter goes likewise to prove what I have here advanced. I quote Mr Arbuthnot —

"Although the nitimate value of gold and all art must, as before charred, be derived from the value of the labor employed in their production, their immediate price is governed by the law of *spiply and devaud to an extent, and sometimes for a prolonged period of time, exceeding that which applies to other commodities."

I might ate many authorities in support of the general soundness of Mr Arbuthnot's argument, but I will content myself by quoting the following from Tooks on Prices page 13, Vol. I —

"All that can be said, therefore, in general terms, is, that a deficiency of supply is commonly attended in the case of corn more than in that of most other articles with an advance in price very mach beyond the degree of the deficiency. The process by which the rise beyond the proportion of defect takes place is the struggle of every one to get his share, of which there is not enough or so much as usual for all."

Again, page 17-

"While the fact, indeed, and the reason of the fact, that, as relates to commodities generally, and to corn more especially a definency of quantity produces a great relative advance in price, has been repeatedly noticed, and variously illustrated by saveral writers, the converse of the proposition, vis., that an excess of quantity operates in depressing the prices of commodities generally but of corn more especially in a ratio much beyond the degree of that excess, was little noticed until the report of 1871."

Lastly, as bearing strictly on my argument, I quote (page 204)-

"Silver is as readily obtained and sent to this country (England) if the exchange answers, as gold. There is always a market for silver in this country for any quantity and the utmost variation in the market price is very trifling; but for this variation, trifling as it is, the merchant shipping it obtains a corresponding abatement in the price."

The soundness of the principle first adverted to—supply and demand against the market price—being beyond dispute, it is abundantly clear

that the present high market price of sovereigns is due to the supply being unequal to the demand during a period of exclusively low rates of exchange. Let, however, the supply be equal to the demand, and the market price of the sovereign will soon fall to its ultimate value. As illustrative of the fact that the rate of exchange is intimately bound up in the question, I recall to your memory the fact that, in 1864, a high rate of exchange brought us an over-supply of gold, and the market price of the sovereign fell to Rs 10, and that a deficient supply in 1870 and 1871, with low exchanges, caused the price of the sovereign to touch Rs 10-12. These fluctuations in the market price, arising from extraneous causes, are therefore not a safe guide for determining the ultimate value of gold measured in silver. His Excellency Loid Sandhurst most forcibly shows that, by following the market price, the Government of India made the mistake, in 1864, of issuing a notification which soon became a dead letter.

It may, perhaps, be asked what are the causes which operate against the supply of gold being equal to the demand, seeing that the high prices recently obtained in the market are apparently remunerative? I would reply that as gold has no place in the currency, not being legal tender, any demands which may arise for it are beyond the reach of accurate calculation as to their range, and the fear of an over-supply, and consequent fall in the market price, deters importers from operating largely. In short, unless the question can be solved on surer grounds, discussion will, I fear, land us in as great a maze as opposing views on the subject of free-will or predestination are apt to do.

I come now to the second and more important point already adverted to and put by Mr Strachey thus —

"The real question is, whether the rating of the value of gold and silver under Act XVII of 1835 is a proper rating to accept for a new Indian gold comage which should have a reasonable prospect of remaining current

I would follow the reasoning of Lord Sandhuist in reply, and, to my mind, it meets most effectually the points raised by Mi Strachey. If I now attempt to put forward similar views in my own way, and from my own point of view, I may, perhaps, help to throw additional light on the subject

When treating of the precious metals as articles of merchandise, it is necessary to bear in mind that their importation is not wholly determined by considerations of profit and loss. The importation of gold or silver is resorted to, chiefly in discharge of obligations which one country owes

to another, when bills of exchange are not available for the same pur pose, or when the premium demanded on such hills is in excess of the charges on specie shipments. This being so, it follows that the same considerations which would lead the British merchant or banker, who has a debt to remit to India, to prefer specie to bills of exchange, would also induce him to give the preference to gold or silver, just as the one or the other appears to him to be the cheaper remittance.

Before applying this principle to actual facts, I notice that Mr Strachey (§12) when discussing the relative value of gold and silver under Act XVII of 1835 quotes, with perfect accuracy, the appendix to the blue book issued by the Indian Commission of 1867, and he fairly points to the fact that the price of silver in London in the early part of 1804 was 5: $2\frac{1}{3}d$ and a few months before the submission of the report in 1867 it stood at 5: $2\frac{1}{3}d$, he then adds—

"If these had been the prices which have commonly prevailed, the conclusion stated in the passage which I have quoted from the late despatch to the Secretary of State would have been fully justified but, unfortunately these high prices of silver have been altogether exceptional."

He afterwards goes on to show that the average price of silver had been 4s $11\frac{1}{12}d$ for 25 years and the average value of gold to silver 1 to 15 604 and for a further period from 1844 to 1865 the average price of silver was 5s $0\frac{1}{2}d$ and the value of gold to silver 1 to 15 358, but that since July 1866 to the date of his minute the price had never gone above 5s 1d. This, again is followed by a table of reference furnished by the Financial Department showing the relative proportions of gold and alver at various fluctuating rates.

I must here admrt that if any error occurs in the tabular statements of the Appendix to the Report of the Indian Committee, the blame chiefly rests with me as I was at no little trouble to aid in their compilation from Parliamentary and Mint Returns, as well as other available sources and among others, from Mr Tooks and the Bankers' Magazine. It comes after all to this, that the best sources of information vary in their results when averages are cast. I have however, at present the advantage of writing at a date considerably later than when Mr Strackey wrote and I quote from the Appendix to the blue book of the Royal Commission on International Comage the annexed table.—

Statement showing the price of Silver in London in the years 1856 to 1865.

BULLION OFFICE,
BANK OF ENGLAND,

July 1868
PRICE OF SILVER PER OUNCE STANDARD.

		0.0.01	00 .0	ABUD INDI	
				Lowest.	Highest.
1856			•	60^{1}	$62\frac{1}{4}$
1857			•	61 🖟	$62\frac{1}{3}$
1858			•	603	61 3
1859		•	•	61 ?	623
1860				611	62 §
1861		•		60 1	613
1862	•			61	$62\frac{?}{8}$
1863		•		61	$61\frac{3}{4}$
1861	4+4	***	***	61	62 i
1865	•		**	60}	$61rac{ ilde{z}}{ ilde{s}}$
		Total		6091	6203

Average medium price 613d

I quote it at length to show the danger of relying on averages as a sole guide, for it clearly appears that in every year between 1856 and 1865 the price of silver per ounce standard in London exceeded 5s 13d. and that the average medium price was actually 5s. $1\frac{1}{2}d$, giving the relative value of gold and silver as 1 to 15 34 Mr Strachey unquestronably shows, by taking the quotation in London at 5s $0\frac{3}{4}d$, that the actual relative value of gold and silver in London is 1 to 15 52, while under the Indian Act it is only 1 to 15, and that, according to the actual rate in London, Rs 10 are equivalent to 106 76 grains of gold, whereas according to the Act they are equivalent to 110 giains, and finally that, according to the market rate, a sovereign is worth in London the quantity of silver contained in Rs 10-10-1, but according to the Act it is worth Rs 10-4-4 I respectfully submit, however, that the argument being unsound in its inception, the superstructure raised on it crumbles to pieces, as I shall endeavour to show hereafter

What I have ventured to adduce against M1 Strachey's argument, and his calculations based on the prevailing price of silver at the date of his minute, is forcibly confirmed by Lord Sandhurst in pages 92 and 93 of his minute.

Reverting, however, to the subject of the precious metals as articles of merchandise, I would desire to refer to facts occurring under our own eyes

The present dearness of money has caused a use in exchange, and specie remittances have consequently become more profitable than bills. The latest quotation for bar silver in London being 5s 1d per ounce, let us see what rate of exchange it gives when coined into rupees in India

Former estimates give the charge of laying down silver in India at 8½ per cent., but as more active competation, and the opening of the Suex Canal, have caused considerable reductions in both freight and maurance the present rate may safely be taken at 1½ per cent. only (see afterwards as to cost of sending gold)

The actual result is as follows -

6 RCCUET LEBOTE TO UR TOTOMA					
		£		ď	
Cost of an ounce of silver		0	5	1	
Freight, insurance, brokerage, and pa- charges	·	0	0	03	
Loss of interest during process of co say 10 days at 6 per cent.	mage,	0	0	0	125
TOTAL COST		0	5	14	125
Outturn of an ounce of standard silve taining 444 grains fine, into ruped taining 165 grains fine Less adgnorage at 2 per cent		9	11	P 0	
NET OUTTORE			10	1	

In other words, £ 0 5-1½ 125 being equal to Re 2-10 1, the rate of exchange per rupes is 23½ 103. It follows, therefore, that when the exchange on India is above 23½ per rupes, and the price of silver in London is 51 13 per cunce a remittance in silver is more profitable than bills. Mr Strachey's example and illustration of silver at 51 0¾ is entitled to equal weight with my own, but, after all it only comes to what I have said over and over again that the relative values of the two metals, notwithstanding periodical fluctuations do very soon adjust themselves to each other

But to follow out my argument let us see the result if matead of silver sovereigns were remitted to India, and which the Indian Committee have rated at Rs. 10.4

=	ø		a	
Value of 10 sovereigns	10	0	ŏ	
Freight, insurance, and packing charges, say, to be safe, I per cent	0	1	9	
N B—I so far modify former estimate, because in the case of sovereigns there is a saving of brokersge, as well as of the lose of interest incurred in the case of eilber during the process of miniting, spart from the saving on shipping and handing charges as compared with the more bulky silver remittance of an equivalent amount.	10	ı	 8 	
Value of 10 sovereigns in rupees at the rate of Rs. 10-4	Ra. 102			
showing the rate of exchange to be 231 4d per rupes.				

Such is the nicety of calculation which guides the importer, that, at the moment I write, we find both gold and silver coming into our markets; for, in comparing the rate of exchange on a remittance of silver bought in London at 5s 1d per ounce and coined into rupees in India, with the rate on a remittance of sovereigns valued at Rs 10-4 per £ sterling, we find only three-tenths of a faithing in favor of silver, a difference too minute to affect the importation of the ready-coined sovereign.

I trust I have shown sufficient grounds for establishing the fact, that the rating of the sovereign at Rs. 10-4 is a sound and scientific rating, when the fact is kept in view that the price of silver per ounce standard in the London market, from 1856 to 1865, a period of 10 years, never fell, at the highest point, below 5s. $1\frac{3}{3}d$., and sometimes touched 5s $2\frac{1}{3}d$, 5s $2\frac{3}{3}d$, and 5s $2\frac{1}{3}d$, and that the average medium price during that period was 5s $1\frac{1}{2}d$.

The rating at Rs 10-4 is, moreover, in strict conformity with the provisions of Act XVII of 1835, which declared the relative values of the gold moliur containing 165 grains of fine gold, and the rupee containing 165 grains of fine silver to be as 15 to 1. Mr. Strachey argues that the English and Australian sovereigns proposed to be issued under the authority of Act XVII of 1835 will not remain in circulation, because the relative values of gold and silver have not been fixed in the proportions commonly obtaining in the West. Mr. Strachey, however, has not given or shown what that proportion is, and I may say that, had he attempted to do so, he would have found it no easy matter, for this reason. In London, where gold has a fixed value, and silver a marketable price, the relative value of the former to the latter will be less or more just as the price of silver happens to rise or fall. The various tabulated statements clearly bear out my argument, and I have only to illustrate it by a very short example, thus—

When the price of an ounce of silver in London is 5s 3d, the relative proportion of an ounce of gold to an ounce of silver is 14 96 to 1, but when the price is only 5s, the relative proportion is 15 71 to 1

The same rule will hold good in all countries where gold has a *legal* value and silver the price of an article of merchandize only. But is the currency of India and the conditions under which she obtains her coined money analogous to those of England that, as a rule, the relative value of gold and silver in the former should be determined by the relative value of gold and silver in the latter? England, we all know, has a gold

currency, and the English public obtains the sovereign free of mintage India has a silver currency, and the Indian public obtains the rupee at a charge of 2 per cent, and then only after a delay of (say) 7 to 10 days.

I may be permitted to mention here that as a matter of fact, India obtained more silver of late years from China and elsewhere than from England. I do not, however mean to enforce this as a reason against the London price alone being followed in determining the relative values of gold and silver But to resume my argument I am prepared to admit that an ounce of gold, £3 17 101, and an ounce of silver bought at say the average medium rate of 5s 11d already quoted and both laid down in India, ought to bear the same relative values as at the port of embar kation, because the cost of transmission will be nearly the same in either case, though as already shown, the charges for silver are somewhat higher But at this point, our divergence begins. For when one of the two metals is manufactured into coins or when both are manufactured into come, they do not continue to retain the same relative value. In the former case the value of the metal manufactured is moreised by the cost of manufacture and by its assuming the character of money In the latter case the silver com is relatively more valuable than the gold coin by reason of the additional seignorage, and the comparatively greater time consumed in its manufacture. Upon the same principle a piece of silver containing 105 grains fine has not the same purchasing power as the rupes, simply because new elements of value have been imparted to the latter

It is perfectly true as stated by Mr Strachey that the relative values of gold and silver in London when the latter sells at 5s 1d per onnec standard are as 15 45 to 1 But on the same basis and by parity of reasoning it is equally true that the relative values of the 15 rupes gold modur, which contains 105 grains of fine gold and the silver coin which contains 105 grains of fine silver are not far from 15 to 1 For the sake of greater clearness I give the following example viz —

An ounce of gold (containing 440 grams fine)	£	3	d
laid down in India costs in London	3	17	101
Freight and insurance as before at 7 per cent	0	0	8
Seignorage at Indian mint for coinage	0	0	9
	E	19	31

An ounce of silver containing 111 grains fine costs in London & 0.5-1

	£	8	d
Cost of 110 grains, say .	0	5	0}
Freight and insurance as before at 11 per cent	0	0	0才
Seignorage at 2 per cent. and loss of interest	ե		
during comage	0	0	11
	U	5	$2\frac{3}{4}$
Relative value . $ \begin{cases} Gold & 3 \ 19 \ 3\frac{1}{2} = \\ Silvei & \ 0 \ 5 \ 2\frac{3}{4} = \end{cases} $	15	16	
$\begin{cases} \text{Silver} & & 0 & 5 & 2\frac{3}{4} = \end{cases}$		1	

Again, the relative proportion would only be 15 02 to 1 were sovereigns to the value of an ounce of gold substituted for the bullion, because in this case there would be no seignorage

I do not offer it as an attempt to solve the reasons why the Legislature of the day fixed on 15 to 1 as the proper adjustment of the ratio of gold to silver, but I do think that they had not lost sight of the fact that, under the Indian mintage rules, new elements of value attach to the precious metals after being converted into legal tender currency.

Be that as it may, it is clear that the difference between the relative values fixed by the Act of 1835 and of the relative values which I have brought out on the basis of Mr Strachey's example, when the price of silver in London is 61d, is, after all, not very material, and I think that a slight change either in the price of silver or in the charges of shipment will restore the equilibrium

Having shewn, then, that the relative values of gold and silver, as fixed by the Act of 1835, do not vary much from facts established here-inbefore, I deem it unnecessary to dwell on Mr. Strachey's proposal to reduce the weight of the Indian gold coin from 110 grains of fine gold to 106 76 grains. This valuation is apparently arrived at on the assumption that the relative values of gold and silver in India are precisely the same as they are assumed to be in London, viz, 15 45 to 1. I hope I have clearly enough demonstrated that the proportioned value is not applicable to India, even if the assumption were thoroughly correct

But before going into other arguments adduced by Mr Strachey, I notice (1) the statement that the actual cost of coming new gold pieces shews that, including the minting charge of one per cent, there will be an absolute loss of 142 per cent on the conversion of sovereigns at

122 5 grains into gold modurs of Rs 15 at 180 grains. Lord Sandhurst has already pointed out that the alleged loss brought out by Colonel Hydo's method of computation is imaginary. I presume to think that I can establish His Lordship a opinion from actual facts.

I must, however, at once admit that the hurden of proof lies on the Commission who recommended the rating of the sovereign at Rs 10 4 to show that it does bear, as nearly as possible, the proportion of 15 to 1 This I have done in a former portion of this minute, and I now proceed to test the accuracy of the Mint Master's method of calculation supposing sovereigns from England and Australia were melted down and subjected to the Indian mint charge, thus

to the Indian mint charge, thus.

1 000 sovereigns purchased at Rs. 10-4 cost Rs. 10.250

1 000 sovereigns, each containing 113 grains of fine gold =113,000 grains will yield moburs of 165 grains fine = 684 85

loss seignorage at 1 per cent 685

Net moburs 678

showing that every gold modur costs only Rs 15 1 10 after paying mini charge of 1 per cent, or a loss of little over 2 per cent. Instead of 1 42 as brought out by Colonel Hyde Let the following practical tests be tried at the mini.

- I.—Let Government purchase 1,000 of the new beautiful dragon
 - Usual form of remittance from Australia and Rogland in large quantities. send them to the munt, for recognize

English sovereigns), send them to the mint for recoinage, deduct the seignorage of 1 per cent., and ascertain how much under 078 gold mohurs the yield is.

- II.—Repeat the same process with 1,000 sovereigns from the first remutance received in sovereigns from Asstralia by any of the banks, give credit for the comparatively more valuable alloy, and ascertain how much short of 678 gold mohars the yield is.
- III.—Take a mixed sample of sovereigns which find their way, from Egypt and from other quarters, into the bazar, exclude light coins or those approaching the minimum quantity of gold for which they are legal tender viz., 122 5 grains and ascertain how much short of 678 gold mohurs the yield is

I say approaching the minimum quantity of gold advisedly, for the simple reason that, if loss is apprehended, the sovereign can be laid down advantageously by Government in England where gold is legal tender if not under 122 5

I feel so confident of the results that I hazard the prediction that, in the three instances given, Government would gain, on the transaction, at least \{\frac{1}{4}} per cent

I do not follow Mr. Strachey's argument further on this point because he makes the admission that, in the event of bar gold being purchased, Government could obtain it in that form for coinage 1 per cent cheaper than the ready money sovereigns, and therefore that no possible loss could arise. I contend, further, that every year that passes conclusively demonstrates the soundness of the conclusion arrived at by Lord Sandhuist's Committee, viz, that Rs 10-4 is a sound, scientific, and conservative rating, masmuch as if a higher relative value had been fixed, the opposite and grave mistake would have been made of overvaluing gold and driving silver out of circulation. With reduced freight and insurance since 1867, the English sovereign can easily be laid down in Calcutta at Rs 10-2, instead of

* N B —Actual cost of shipment, two years ago, to Calcutta

laid down in Calcutta at Rs 10-2, instead of at Rs 10-4-10, and from Australia at Rs. 10-2-7 44* against Rs 10-2-9, the rate

taken by the Commission

With the prospect of fuller supplies of gold to our markets, the price of the sovereign has fallen in Calcutta from to press

Rs 10-12 to Rs 10-7,† and in Bombay to Rs 10-6-9, and it appears clear to me that

it will soon fall to Rs 10-4

It is in this belief that, in my minute of 15th January, I have ventured to say that the present is a very opportune time for Government taking a further forward step towards the realization of what every writer on the subject considers a great boon to India

If I might venture to offer an opinion on the proposal submitted by Mr Strachey for the introduction of gold into our currency, I would say that, if adopted by Government, it would be in opposition to the declared opinions of our most eminent authorities against the practice of every European State, and against the course followed by America and France Even Holland, who first took the alaim after recent gold discoveries, has now reverted to the gold standard Lastly, the late Mr Wilson, although he opposed the introduction of gold into the circulation of India, admits

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(Minute of 25th December 1859, Section 25) that if it is desired to have the use of both metals in circulation of full value as come the transition period of a double standard is the mode in which the object can best be attained

Although I have in former minutes (see 7th May 1868, page 3, 9th May 1868 page 4 30th May 1868 page 7 to the end, and minute of 10th August of the same year) fully dealt with the question of supposed inconvenience to the teeming masses of India which may possibly arise from the adoption of the proposal now under discussion still as the Financial Secretary has sgain drawn my attention to the subject, it may perhaps suffice if I illustrate my arguments by showing the course followed by France and America under circumstances somewhat similar to our own

Before doing so however I may advert to another difficulty in the way of our being able to introduce gold into India through the establishment of an international currency

* See Return from the Royal Mint to an order of the Hoose of Lords, dated 17th February 1870, and embacing a period between 1851 and 1869 inches e. "Loss on Coluege."

In England, since 1606 the expense of manufacturing the standard coin has been borne by the State.*

At the Royal Mint in Sydney a charge averaging about one per cent, and a delay

in delivery of about 20 days is made

In France the nuntage for standard gold is between 2 and 3 per cent and the delay which is variable brings the charge up to from 1 to 2 per cent

At the Mint of America (1867) the law now imposes on all bullion a tax of the half of one per cent., and a coinage charge of the same amount.

In Prussia the charge for coming gold is 1 per cent

At the mints in India there is a charge of one per cent, on gold and of two per cent on silver with a dolay in delivery of (say) ten days.

In Franco, by the law of 1803 five grammes of silver, nine-tenths fine were constituted the monetary unit retaining the name of a franc but the pravisions of the law as to gold and also copper coins gave them a legal currency and rains independent of their relation to silver. The result of this legislation was that a double standard was created by law in France. Silver, however, remained for many years the prac-

tical standard, but when, by the increased demand for silver for the East, the value of gold was depreciated in relation to silver, gold became practically the standard of value. The silver coms, of which nearly the whole circulation consisted, were melted down and exported, and the country was put to the expense of a large comage of gold. If, by any increased production of silver, the value of silver should be depreciated, a change would take place in the opposite direction, and similar inconvenience would again be incurred. (Report of Royal Commission, 1868, page 10.) Again, in America, the value of the silver dollar has remained unchanged since it was fixed by the law of Congress in 1792, but the value of the gold eagle or 10-dollar piece was reduced in 1834 from 247½ grains to 232, and gold has now become practically the standard of the United States.

Both in France and America, the silver coin and standard are to this day retained, according to law, as an alternative measure of value In England, the double standard ceased practically in 1717, and, by law, only in 1816 In Portugal, Turkey, and Brazil, a single standard of gold prevails Germany and Holland are at present in a transition stage, while, in the Northern States of Europe and in the East, there is a single standard of silver

As bearing upon the question of the danger arising out of the suggestion to rate gold above Rs 10-4, I may here advert to the fact that, in England, during the reign of James the First, the gold coin was over-valued by proclamation, and the result was the exportation of the silver coin, to the great inconvenience of the public

Having the examples of France and America before us, and further experience in guiding us to avoid the errors into which they were led, I need not dwell on this part of the subject much longer. I would only beg the favor of your turning to minute of 9th May 1868, in which you will find described the reasons for which, in my humble judgment, it is politic and necessary to leave untouched our present measure of value, viz, the rupee, and its component parts expressed in lower denominations. I only quote the following sentences—

- "I The piece of gold and silver is, like the price of every other commodity subject to the universal law of supply and demand, and it is impossible to fix their relative values with exactitude, or by an unchangeable decree, but the figures which I sent you yesterday give us a starting point as near to equality as can be devised
- "II —The proposal for the introduction of gold, by the operation of the double standard, or a double legal tender, or alternative measure of value, under the conditions already adverted to, is not intended to have the effect of

bringing about a sudden, violent, or immediate change in the present standard of value. On the contrary no change whatever will be made in the existing standard, nor will it, in any way be affected in value by

S B-See also quotation in Min t of 18th January 1872, beginning any alteration in the standard of value," &c., page 7 the introduction of gold as a substitute in part, for a silver circulation. It is quite clear indeed, that, for a time to come, silver owing to the smallness of

transactions among the lower classes throughout the interior must continue to be extensively used."

Every writer of recognized authority in times past and in our own day, gives the preference to a single gold standard. Should those who administer the finances of Lidna see their way to introduce gold into the currency of India I know of no eafer sounder and more just way than that set forth by His Excellency Lord Sandhurst, yourself and the majority of the members of Council, and which it has been my privilege, from deep conviction of its truly conservative and practical nature, to support to the best of my ability

The present generation may not see the time when it may be found expedient to demonstrie silver in India but if those who now guide her destinies lay the foundation of a measure calculated to give to the people a more acceptable metallic circulation than exists at present, they will have done their part wisely and well. I conclude by rominding you that at a time when gold was now here a legal tender in India, except on the Coast of Coromandel and in a limited why in gold mohurs at the principal British settlements the relative proportion of gold to silver council at the Mints in Calcutta and Madras was about one-fourth, where se, since the Act of 1835 and the prohibition of \$2nd December 1852 the proportion has been about 1 in 113 45, down to the end of 1804-05

I write in the midst of severe official pressure on my time and if I have not observed nicety and exactitude of expression you will I hope under the circumstances make allowances for me. I now conclude as I began, by expressing my admiration of the great ability shown by Mr Strachey in his handling of the subject, and, if I have ventured to differ from him, I trust, should this minute over come under his notice he will de me the justice to believe that I take so much trouble in the ondeavor to meet his arguments because they are entitled to more consideration than any others brought to my notice and because I hold the views to which I have imperfectly given expression from mature and long conviction

BANK OF BENGAL
The 7th February 1872

GEO DICKSON

Secretary and Treasuter

Note by the Deputy Comptroller General, dated 27th February 1872.

The proposals of Mr Dickson appear to be well worthy of consideration, if it be once settled that the introduction of a gold currency into India is to be attempted by Government. The step he suggests, viz, that Government should undertake to exchange gold freely for silver, is probably the safest that could be taken if progress is really desired

The experiment will not be fairly tried unless some pledge is given that the offer to exchange sovereigns freely for silver will not be revoked without reasonable notice. Importers of bullion will not dare to trust to an article that may be difficult to dispose of without loss, hence arises the danger that, if the measure do not succeed, Government may be compelled to continue to receive gold which cannot readily be paid away to persons having claims on Government.

But M1 Dickson shows that, in such a case, sovereigns could be sent home at a cost equal to an exchange of 1s 11½d. Assuming these figures, Government might well accept the risk to a considerable amount, as the present state of the market promises no better rate for the ensuing year. I may add to his argument that the large balances now in Government treasures make the experiment less hazardous this year than it may be at another time.

The measure would no doubt be acceptable to the banking and trading community in large towns. If the piece of sovereigns were guaranteed in India, one element of doubt in cash remittances, viz, the varying comparative values of the standards—gold in England and Australia, and silver in India—would be removed. Coin could be obtained in London which would without charge for seignorage or delay be as good as coin for India. The remittance would be more portable, and give in many ways less trouble. On the other hand, Government would lose the profit on coining, and might find the circulation of currency notes affected.

But, regarded from the point of view of the millions whose transactions never reach above a few rupees, it may well be doubted whether any measure tending to bring in gold as the standard of value can be considered an improvement.

E GAY

Note by the Financial Secretary, dated 27th March 1872

I do not feel called upon to add, more than is unavoidable, to the volumes that have been written on this subject already. I have read the

whole carefully and anxiously several times, and I do not flatter myself that I can adduce any arguments of weight which have not already been used. But, with much diffidence, I proceed to record my present judgment as requested by the Financial Member — The subject must be divided into two great questions—

First—Is it desirable to make gold the standard of value in India?
Second —Will the measures now proposed by Mr Dickson further that object?

Upon the first great question, which really underlies the whole discussion, I find strange to say in all the papers very little but assumption. All assume that beyond all question, India is tipe for a gold stan dard yet I venture to say that even the enquiries of the Commission, though they establish formally the undoubted fact that gold is highly appreciated in India, do not throw much light upon the fundamental question of which I am speaking

Lord Sandhurst argues that according to the stage of advancement, which a nation has reached, its currency should be iron copper, silver or gold but he does not attempt to prove that India has reached the gold' stage.

No doubt for a nation the average of whose transactions is sufficient ly large, gold is by far the most convenient standard. But it cannot by any means be assumed that gold is the proper standard for a nation whatever its stage of development. The most recent paper by emiment authority that I have seen is an article on 'Money' hy Chevalier in the Journal des Economistes. I find in it nothing more positive than this—"It appears that modern Europe tends to employ as money gold,' which is the dearer and rarer of the two metals' (gold and silver)

I cannot help thinking that if we now take any decided stops for introducing a gold ourrency into India, we shall be taking somewhat of a leap in the dark and it seems to me that even the advocates of a gold currency do feel some heatation on the subject, and that this heat tation is manifest in their rather inconsistent advice. They would have gold but they shrink from any measures involving a very decided drain of silver, though it seems to me clear that we cannot at the same time have both motals.

It may be accepted as an axiom, that gold and silver cannot both circulate in a community for long simultaneously as standards of value. So much has been said upon this point in these papers, and the truth is so aniversally accepted that I need not take up time in demonstrating

it—one metal will oust the other Supposing that the relative value be very exactly fixed, and that nothing supervene to disturb it, the process may be a long one (even that is not very likely), but it is absolutely certain that, in the long run, both metals cannot circulate as standards each at its full intrinsic value

Supposing, therefore, that gold become the standard of value in India, it will be absolutely necessary, sooner or later, in order to-keep in the country silver coin enough for subsidiary purposes, to debase our silver coin. Our silver coinage must bear a higher nominal than real value, in other words, must become a token coinage, or we should not keep enough for our wants

Now, whatever success may attend the introduction of a gold curiency, a very large amount of silver will always, or at any rate for a very long time, be required for the purpose of currency in India very long before the masses of the people will use a gold currency then transactions are far too small It follows that we shall have to substatute, for the use of the masses of our population, a token currency for the present full value currency. Are we at all certain what the effect of this will be upon the ignorant population? Or how a silver token curiency will work alongside of a full value Native State silver currency? Lord Sandhurst has at page 113 of the accompanying volume argued with great force against the attempt to circulate among the people bank notes or paper currency in any form "The people," he says, "hug the idea of intimsic value in coms of the precious metals which will last for ever, which will be again found, if was sweep over the country and destroy all that is above ground" And again, "of all people in the world the population of India carries particularly and keenly into execution the principle that the money actually current is a commodity which must To them bangles are possess the intrinsic value it assumes to represent convertible into rupees and vice versa Thus 'in some Native States the people refuse in their retail operations to take the British rupees without a slight discount, because they declare, whether rightly or wrongly, that the rude rupees supplied from the native mints have more of silver in them, or are free from alloy, than the British rupee"- and much more, very forcibly put, to the same effect

Lord Sandhuist was arguing against the paper currency which he evidently felt to be a dangerous rival to gold. I think he overdid the argument in various ways, and that experience has actually proved this But still there does remain great weight in his observations.

Apparently, however, Lord Sandhurst had forgotten that he had already stated as a mere trusm (page 04) that "a token commerely means a metallic bank note". This is obviously true. But then the whole of Lord Sandhurst's strong arguments against a paper currency become to the full as applicable against a silver token currency which must eventually be a rise que now of a gold standard.

I do not think that sufficient attention has been given to this part of the subject and I would not recommend any very active or effectual steps being taken for the introduction of a gold standard until the effect upon the mind of the natives of substituting "metallic bank notes for the full value silver coinage to which they have from time immemorial, been accustomed and which they so highly value shall have been carefully considered and so far as may be enquired into

I can find nothing in the evidence given before the Commission to show that the witnesses who favored gold were aware that it would be necessary sooner or later if we introduce and keep gold, to depreciate the silver currency which must for generations to come at any rate, be the ordinary currency of the people. I confess that I myself am so apprehensive of what the effect might be that I should heatinte to take measures for adopting a gold standard until it be really forced upon us At present I venture to maintain that there is no demand whatever for a gold currency by any section of the community

There was a demand when Lord Sandhurst wrote his minute in 1865. During the American was the value of Indian cotton rose so enormously that the balance of the trade of India with the rest of the world was altogether disturbed and huge importations of bullion became necessary Moreover at that time the paper currency was little developed, and India was still borrowing money largely at home for rullways &c Lord Sandhurst wrote his elaborate minute under the influence of that abnormal state of things perhaps under the impression that it would contune.

It may be admitted that if it had continued India would have been very soon driven to take much more gold than silver in payment for her exports. Silver in fact would not for long have been forthcoming for remittance to the East at the same rate, and a gold currency here would very likely have become a necessity. But the moment the American war came to an end, the excess of our exports over imports fell from 10 to 13 millions and pressure ceased.

It may be that it is now again slowly coming on, though if we are able to abstain from borrowing, the process will be checked, and, in any case, we are not likely, for the present, to borrow as largely as we were doing. However, sooner or later it may be that the demand for silver for the East may again cause inconvenience, and the price of silver may rise until imports of gold become more profitable. Whenever that time comes, but not, I think, till then, it will be proper to take up the question of substituting a gold standard for a silver standard.

For the present, though I admit that gold would be pleasant and convenient for the trading classes, I do not believe that the masses of the people have any desire for a gold currency, and even the great cities do not really greatly want it. The paper currency has largely supplied their wants. A silver standard is as good a basis for paper as a gold standard.

Turn to the second question—What must be done if it be resolved to introduce a gold standard?

I answer there is really but one way of effecting the object Gold must be declared a legal tender and rated favourably

Mi Diekson's proposals are certainly most moderate. He asks only that the Government shall, without declaring gold a legal tender, undertake to accept sovereigns at Rs 10-4 and Indian gold mohurs at an equal rating, i.e., at par, in payment of all Government dues and in exchange for currency notes, i.e., for silver, for currency notes can be exchanged for silver at once. He does not propose to make gold a legal tender

Sovereigns are already received at our treasures in payment of Government dues at Rs 10-4, so that the proposed innovation is really confined to making the sovereign exchangeable at the eurieney offices, and so, freely, for silver

I cannot recommend this measure being adopted I agree with Lord Sandhuist, who wrote on the 9th February 1869—

"There should be no attempt at regulating the value of gold by further notifications, unless Government be prepared to concede the legal tender"

I cannot think it likely that Mi Dickson's proposed measures would have any effect. Even with exchanges exceptionally high as they have recently been, the sovereign has never fallen below Rs 10-7, and no sovereigns whatever have been paid into our treasures for three years. How should they be with prices as they have been? It is clear, I think,

that sovereigns will only come to us at Rs. 10-4 when silver is worth in Londou 62 3d an oz., a price higher than we have seen for a very long time. I think that we should only expose ourselves to indicate by making any further notification based upon the anticipation that this price will recur

Mr Dickson seems to anticipate some great effect from his proposal that the Government should accept sovereigns freely at Rs. 10 4 in exchange for silver but I fail to find in his papers any solid reasons for this expectation and I cannot but remark that this same high authority originally advocated the 10 Rs. rating, now admitted to have been a blunder

It may be that some effect would be produced by the security which Mr Dicksous proposal would give to importations of gold. Doubtless a still greater effect would follow if the law should declare sovereigns legal tender at Rs 10-4 But not even then can I see any good ground for expecting that people will offer to the Government, or to one another, that which is worth Rs 10 7 at Rs. 10-4

There have, no doubt been tunes when, with abnormally high exchange sovereigns have sold at Rs. 10 or even less and, should such a time recur we should get plenty of sovereigns paid into us at Mr Dick son state but first this is perhaps highly unlikely and secondly, if it should happen we should have placed ourselves in an awkward position by pledging ourselves to buy for Rs. 10-4 what would, in that case be worth much less.

I agree with Sir C Trevelyan and with Mr George Arbuthnot as quoted by him (page 163 of the volume) that we ought not to receive gold coin in exchange for currency notes unless it is made a legal lender I do not consider Mr Dickson's argument that we could always reinit sovereigns at an exchange of 1: 114d a sufficient answer to thoobjection taken by Sir C Trevelyan and Mr Arbuthnot for supposing sovereigns to fall below Rs 10-4 in the market, exchange would approach 2s so that a remittance at oven 1: 114d would tayolvo a very heavy loss

Nor can I agree with Mr Dicksou that we ought to take in all the gold we can get and give out none. As I have said, in my opinion, we should at present get none at Mr Dicksou's rating but supposing values to alter and gold to come in we could only follow Mr Dicksou scunsel by maintaining high cash balances for this express purpose. It is of great consequence that in the matter of the cash balances, we

should embarrass ourselves with no consideration except the one consideration of what is the smallest sum with which we can work the administration. It may be proper, occasionally, to have high balances with reference to loan operations and the like, but if we once begin to keep them for currency purposes, we embark, in truth on a course involving, unlimited cost in interest for very vague purposes. Mr. Dickson, in fact, invites us to a large speculation in exchanges, and I cannot think this advisable

The figures which I put up show that gold is coming into the country very freely as things are. The proportion of gold to silver in our bullion importations of late years has been fully maintained, and the absolute quantities of gold imported have been large. This process is going on naturally and satisfactorily, without the Government committing itself to any dangerous experiments, or to any calculations of value that may be proved (as our past calculations have been proved), by experience, to be wrong. I would not, at present, take any further steps. In time, very likely, the large importations of gold that are going on will tell, and the price of gold in silver will fall until the rating of our coinage act is reached. When that time comes, or a little before, it would, very likely, be desirable, if not necessary, to declare gold a legal tender. But I do not think that the matter is one for empirical treatment. I would leave our present well alone.

R. B. CHAPMAN

Value of gold and silver imported from, and exported to, foreign countries at ports in British India, in each year from 1850-51 to 1875 76

					-		
	Gold.				Total of net imports of		
YHARA	Imports.	Exporta.	Net Imports.	Îmports.	Exports.	Net Imports.	Gold and Silver
	£	4	£	£	£	£	£
1850-B1	1.155.310	2 016	1,158,294	2,656 496	839,378	2,117 226	8,370,619
1651-62	1 188,778		1,267 613	8 713,280	847,928	2,665,867	
1852-58	1,341,106		1 172,301	6 400,287	885,203	4,005,024	
1858-54	1,078,708		1,061,443		1,461,899	3,306 744	
1854-55	832,721		781,200		1,116 537	29 000	760,890
1855-66	2,608,868	2.108	2,506,245		598,416	8,194,375	10 700 620
1856-57	2,176,002	84.768	2,091,914	12,237 695	1,164,446	11 073 217	13 161,461
1857-58	2,830 081	47 011	2,783,073	12,985,832	766,884	12,118,948	15,002,021
1858-59	4,417,839		4, 128, 153	8,879 692	681,860	7 728,843	
1859-90	4, 58,037		4,284,234		921,863	11,147,563	
1860-61	4,212,441		4,232,669		1,106,627	6,82B,009	
1861-61	5 190 433		5 184,425		675,060	9 086 456	
1862-63	6,881,666		6,848,156		1,077 344		
1863-64	8,925,412		6,898,806		1,240,450	19,796,719	
1884-86	9,576,032		9,839 964		1,400,522		
1865-66	6,372,691		5 724,470		1,616 784		
1863-67	4,581 472		8,843,829				
1867-69	4 776,934		4,009,107		1,406,489		
1868-00	6,176,976		5 159,852		1,977,956	B,601 022	
1850- 0	5 900,400		6,592,117		944,070		
1870-71	2,765,978				1,720,818		
1871 72*					1 487 200		
1872 ~3 1873 74	2,622,371 1,618,807		1,382,638	1,934,214	1,219 070 1 647 902		
1674-75	2.089.23						
1875-76	1,411,050		1,572,929				
(9 months		13,131	2,0/2,020	1 4,000,000	1,32,3,401	1,019,201	3,392,130
,,	1 ——	ļ	ــــ ــــــــــــــــــــــــــــــــ	(
Total	07,890,21	03,468,668	94,431,582	206,637,128	80,847,033	178,89,200	269,720,858

Note by the Officiating Comptroller General, dated 28th March 1872

Putting ande theoretical arguments which can always be made to suit the views of the writer, I think the real consideration in this very large question should be whether, in the event of Government being able to introduce without ultimate loss to itself, a gold currency as a legal standard alongside of a silver currency, already a legal standard, the general public of the country require such an introduction. If we regard the bulk of the population, I think that the reply to such a question must be negative they rarely touch silver, and would certainly nover touch gold; their wants are few, and (with the exceptions of their apology for clothing, which is supplied to them more cheaply from

[·] Four years' statistics added since the note was written,

England than from Native looms, and their few metallic utensils which they purchase once or twice only during their whole lives) are all supplied in their own villages. To meet these wants, copper coin and shell tokens are principally used and found sufficient, while the ordinary wages of labor, even if paid once a month only, would rarely reach the smallest denomination of gold coin, and even if they did so, a payment in gold would but subject the recipient to a loss, as the coin, until converted into silver or copper, would be practically useless to him, and he would be obliged to have immediate recourse to the money-changer, at whose mercy he would be for terms of exchange

If we go beyond the bulk of the population, and consider those who are sufficiently well off to deal in large sums of money, we have a perfected system of paper money, which enables persons to pass money in a convenient form, and, by the facilities it offers for remittance purposes, serves as a wholesome check upon extravagant rates of inland exchange. I notice this particularly, because one of the strong arguments against a silver currency is its bulk, and consequent madaptability for remittance, whereas it is urged that gold is easily moved, and involves a smaller cost in transport Many of the arguments against silver adduced in 1864 have proved to be fallacious thus, for instance, the present price of the metal in England as compared with the price in 1864 shows that the fear that Europe would become denuded of silver to supply the East was groundless My opinion is that it would be unadvisable to introduce gold into India as a legal tender, and that for many years to come we shall be doing as much- as the country wants by supplying it to those who wish to receive it for their own convenience If we go beyond this, we shall, I think, inflict a haidship upon the public at large, and benefit no class except the money-changers

H SANDEMAN

Note by the Hon'ble Sir R Temple, dated 8th July 1873

I much regret that His Loidship the Governor General does not find it possible to take up during this year the subject brought forward by my memorandum of the 19th June 1872, regarding the introduction of a legal tender gold currency into India. But I desire to take this opportunity of recording my views as to the course which ought to be adopted by the Government of India in respect to this matter.

I will not attempt to repeat the reasons given in the memorandum of June 1872 to show that a legal tender gold currency is among the real

needs of India. The belief or disbelief in the reality of this need is at the root of the matter. If we firmly entertain this belief, then we shall address conselves to the removal of the difficulties which are more or less inevitable in a question of this sort. If we have not such belief, then it is not to be expected that such difficulties can be successfully combated. Therefore, in June 1872, I began the renewal of the discussion by en deavouring to prove the existence of the need.

After adducing those reasons, I recommended that the Government should decide that a legal tender gold currency is needed that a Commission should be appointed in order to ascertain definitely what should be the rating for the relative value of gold and silver, that meanwhile certain subsidiary measures should be taken in order to attract gold in greater quantities than heretofore to the treasury in India.

I am still in favor of these steps being taken. I am fur from san "I. To snihorise the receipt of English and Australias say revigus into all the Government treasuries of India with most treasuries of India with

ereigns into all the Government treasuries of India without restriction, and whether ten dered in payment of Government dues or in exchange for

II In confirmity with the provisions of the Currancy Act, to authorise the issue of Currancy Notes in exchange for gald bullion tendered at the mint for coinngs into Indian gold sovereigns at the rate of 10 rupes per 120 grains of gold of standard fineness less seignorage."

guine that the subsidiary measures (which for facility of reference I extract in the margin) would, if adopted attract any large quantity of gold into our treasury, indeed, I rather fear that they would not, for the present at least. But they are at least safe, and at the worst could do no harm. And in one par tacular way they could hardly fail to do good.

For, either they would attract gold, or they

afford proof in addition to any proof already existing, that the rating of Rs 10 for the 120 grain gold piece, or of Rs 10½ for the sovereign, is a correct and adequate rating, corresponding to 15 to I, and that by offering this rate we are offering enough silver for the gold. If they did not attract gold, then the fact would afford additional ground for the opinion that the above rate is not quite enough that instead of the proportion 15 to I, the proportion should be 15 and a fraction to 1

Even if the Government of India is not prepared to take any other step, I should still ask that these itwo steps be taken in order to contribute something towards the solution of a difficult question.

In regard to the proposal to appoint a Commission to investigate again the relative valuation of gold and silver, I desire to explain further the object of this enquiry

A Commission was appointed in 1866 by the Government of India to examine this point among other points relating to the currency of India. They reported that the rating of 10\{\} inpecs to the sovereign, or Rs 10 to the 120 grains, was the best that could be arrived at, and that this corresponded with the rating embodied by Act XXVII of 1835 (since incorporated with the Consolidated Currency Act, XXIII of 1870), they cited much important evidence to show that gold from Australia could be laid down in India at this rate

At that time, 1866, a rate of Rs. 10 was being offered by the Indian treasmy for British or Australian sovereigns, but no permanent success was obtained, and the prohibition of 1854 against the receipt in the treasmy of gold pieces of Indian comage was maintained. In 1868, however, the Government of India notified that sovereigns would be received at the treasmy in payment of sums due to Government at a rate of Rs. 10½, and that the gold pieces of Indian comage would be received at the treasmy in exchange for their respective sums of silver. These steps were in accordance with the recommendations of the Commission, and the hope was that, by these means, a fairer chance than previously for the influx of gold would be afforded.

At first some slight effect was apparently produced, and some supply though slight, of gold was obtained at the treasmy. But this became less and less, till of late it has almost died away. It may be said in general terms that sovereigns and gold pieces are not, and for some time past have not been, presented at the treasmy

Meanwhile sovereigns to a limited extent have been imported into India, and have commanded in the Indian markets prices higher than 10½ rupees, indeed, the average price since 1869 has been hardly less than 10½ rupees

During the same period the amount of gold imported into India has been less than during the four years previous to 1869, but since 1869 the amount of silver imported has been much less. The general fact indeed has been that the condition of trade has been comparatively adverse to the importation of the precious metal, and the relative proportion of importation of gold to that of silver has been quite as great as, or greater than, ever

Again since 1869 the amount of silver coined in India has been much less than that coined during the four years previous to 1869. But the coinage of gold has been rather greater since 1869 than during the four previous years, and the proportion of gold to silver coinage, though still small, has been fully maintained. Indeed, it may be said to have slightly increased

The subjoined table will illustrate the foregoing remarks

Four years previous to Notification of November 1868

<u> </u>	NET IMPORTE	DINTO INDIA.	Сотяво	in India.	
	Gold	Silver	Gold	Silver	
1865-66 1866-67 1867-68 1868-69	 £ 5 724,476 4,183,165 4,607,320 5,150,352	£ 18,669 174 7,938 693 6 157,980 8 001,023	£ 17,865 37,725 21,534 25,156	£ 14,507,049 6 118 857 4,813,285 4,207,031	

Four years subsequent to Notefloatson of November 1808.

1869 70 —	5,592,117	7 920,887	78,510	7 455,281
1870-71 —	2,282,123	941,937	3 994	1 606,751
1871 72	3,565,344	8,532,976	15 412	1,735,288
1872-73	2,543,863	715,143	31,795	3,980 751

Thus there has been some comage of gold pieces even since 1860, and before that year this comage was somewhat considerable, but at no time have those come been in active circulation either among Europeans or Natives. For the most part they are obtunable with difficulty Their destination cannot be stated with precision, but it is well known that they are taken up by Natives for hearding or for uses other than circulation and by Natives not only in British territory but also in Native States.

Again it is seen that of the gold imported but a small portion is presented for coinage—the greater portion is used by the Natives for purposes other than circulation.

On the whole, the present prospect of gold finding its way into the Indian treasury is not encouraging—and the question inturally suggests itself as to whether the rate offered of 10½ rupees for the sovereign and 10 for the 120 grains is really sufficient as representing the relative value of gold and silver

Some authorities have maintained that at this rate it is not sufficient; that gold has for some time been, and will continue to be, worth more than this rate, and the present facts seem to lead to the support of that view. Other authorities, however, maintain that gold has not been in

former times, and will not be in the future, worth more than this rate, and it is to decide this question that I should desire to see a fiesh Commission appointed.

Doubtless the relative valuation of gold and silver is a subject not admitting of absolute demonstration. Among the difficulties which beset the question there is this, that the relative value fluctuates slightly from tune to time. Still, after consideration of all the circumstances, an approximate average valuation should be, and would be, ascertainable. Necessarily the matter is one of opinion, and demands a very impartial inquiry, but after such an inquiry had been made, a trustworthy opinion could be formed. The problem may be difficult, but it must have been solved by every nation that has changed, or may be changing, its standard from silver to gold, and similarly it ought to be capable of solution by the British Government in India.

The question to be propounded for investigation by such a Commission would be this whether the present rating (Rs 104 and 10 for the sovereign and Indian gold piece respectively) is sufficient for the permanent relative valuation of gold and silver with a view to gold being declared sole legal tender, and if it be not sufficient, then how much higher should it be? Nobody probably would uige that the rate should be less So far there seems to be no doubt. The existing doubt merely relates to the question whether something more than the ten rupees and four annas, say ten rupces and six annas, or at the most ten rupees and eight annas should be taken The point is one which ought to be referred to persons of every special experience, and such a Commission could be appointed in India as would present a valuable opinion When such an opinion had been presented, I should desire to address the Secretary of State with a view to a further reference being made to experts in England The results would be collated of the experience gained in countries where a change from a silver to a gold standard has been recently made, or is being undertaken, as in Germany, Holland, France By these means I should expect that the Government would be able to arrive at a safe and sound conclusion important to avoid fixing too low or too high a relative value for the gold coms relatively to the silver, but as from the nature of the case a just determination must be arrived at, as an indispensable preliminary to our having a gold currency at all, I would endeavour to form a determination by the means above stated, and if we succeeded in leaching such a conclusion, I would act upon it

Accordingly, gold would be declared legal tender at the rating so determined.

But, in the first instance, gold could not be declared sole legal tender, and alver must for a time continue to be legal tender also, for this reason that there is not now, and probably may not be for some time, enough gold in India to suffice for the circulation of the country if gold were to be declared sole legal tender for every amount above a trifling sum.

Doubtless, if gold were to be sole legal tender, it would become an article of prime necessity and would within a moderate time be imported in the required quantity but in the meantime (it might not be for long) there would probably be an insufficiency of gold for the purposes of circulation.

The insufficiency, however, might not be so considerable as would at first eight appear to be the case. For although we seldom see gold at the treasury we know that it must largely exist in the country Among the papers appended to my memorandum of the 19th June 1872 will be found a table showing the importation of gold within the last twenty years alone, and the net total (re-exports deducted from imports) amounts to 90 millions sterling. If an antecedent period be taken, a still larger total would be brought out. Of the amount shown above, a portion must have been used up or wasted, and would not be available for coinage, but it is reasonable to antacipate that a considerable portion would be brought out and presented at the mint for comage if this metal were declared legal tender.

So also the balance in the value of the trade in merchandise is much in favor of India and is likely to continue to be so. Already gold has a large part in the adjustment of this balance even when it can fulfil no function in respect to the circulating medium, and might have a still larger part if after reaching India it had an important circulating function to perform

On the whole, there ought not to be any excessive difficulty in obtaining gold if that metal were declared legal tender

Still, at the first it would be desirable to leave silver as legal tender equally with gold until gold should so establish its position that it might be declared sole legal tender. With its natural superiority and with the equality of position as legal tender, it is to be expected that gold would ere long assert itself in supersession of silver and as soon as the country

should be assured of this by the actual position of the two metals, there would be no hesitation in declaring gold sole legal tender

If both gold and silver were for a time legal tender, then, masmuch as their relative value will fluctuate slightly from time to time, payments would be made in one or the other, according to the circumstances of the time, consequently first the influx of one would predominate and then that of the other. It might be that at the outset silver would maintain its position. For instance, at the present moment it might not be driven out by gold declared concurrently legal tender. But sooner or later the revolving changes would turn in favor of gold, and the moment that such should prove to be decisively the case, gold would be declared sole legal tender for all save trifling sums, and silver would be demonstrated

Of course we must be prepared for the objections usually raised against a "double or alternative standard" of gold and silver. But these objections apply (and justly apply) only to the permanent maintenance of a double standard. It can hardly be denied that if the change from a silver to a gold standard be per se necessary or very desirable, then the objections to a double standard must be endured for a season, in the confidence that ere long circumstances would afford the desired opportunity of terminating the double standard and making gold the single standard

Moreover, if at the outset silver were to hold its own, then for that time the fact of gold being also legal tender could do no harm, for it would be inoperative, and the double standard would not be practically felt by any one, as the only standard in use would be silver. If, from subsequent circumstances gold should flow in, and if it became more advantageous to pay in gold than in silver, then the effect of the double standard would begin to be felt. But that would be the very moment when the occasion would be taken to declare gold sole standard, and thus the effect of the double standard would pass away for ever

It would be impossible to predict in how short, or how long, a time this result would be accomplished. There might be delay, but in that case no regret need be felt, because a change in the currency cannot be precipitated, but must come about in the due course of circumstances

On the other hand, no man can foresee how soon circumstances might arise to cause an influx of gold and to render it more convenient to pay in gold than in silver. The event might even supervene suddenly. Then the Government could not avail itself of that opportunity to intro-

duce the legal standard gold currency, unless at had previously arranged, after full enquiry, the relative valuation of gold and silver arrangements must take time. When the event was already happening when the urgency was upon us, it would be probably too late to com mence arrangements for changing the currency The Government would be in a position of unreadiness and unpreparedness and perhaps the opportunity would be lost. Moreover, a time of pressure and urgency, when larger commercial events might be occurring, would hardly be a fitting time for arranging a change of currency Too much reliance might be placed on the transient facts and circumstances of that parti cular period and too little on the considerations which permanently affect the value of the precious metals. Such changes should, I submit, be thought over deliberately beforehand in times when there is no pressure, and then preparations would be indiciously completed against the day when pressure should arise. In this manner shall we be best able to make full use of the occasion which will in all probability arise ere long, though it may not at this moment be visible

Herein, then counsts my answer to those authorities who perhaps deprecate any immediate steps being taken by Government, or who are in favor of delay because the matter does not press. It is very true that at this moment no pressure is put apon the Government from any particular quarter. But this circumstance so far from being a reason for not moving, seems to me to be the very reason why the Government ought to move. At the best some considerable time must be occupied in making the arrangements and settling the terms. Unless the Government is ready beforehand, it cannot introduce the change when the suitable moment shall arrive. Or, if when the moment has actually arrived (and perhaps it may come suddenly and unexpectedly), the Government were to take the case up then the settlement is not so likely to be correct and complete as it would have been had there been previous discussion and determination. Now, therefore is the time for the adoption of pre-liminary measures.

RESOLUTION—By the Government of India, Financial Department, dated 7th May 1874.

The expediency of introducing a gold currency having been consider ed, the Governor General in Council is not at present prepared to take any step for the recognition of gold as a legal standard of value in India. Extract from the evidence given by SIR James Cosmo Melvill before the Select Committee of the House of Commons on Indian Territories, 1853.

SIR J. C. MELVILL'S evidence on a Gold Currency for India.

8283 Chan man] Will you explain to the Committee what were the Select Committee on Indian Grounds upon which the Government of India directed its receivers at the different treasuries not to receive gold coin in pay-

ment of the revenue?—The Government of India, after the establishment of the uniform currency, reserved to itself the right by proclamation to regulate the terms upon which gold was to be received at the public treasury

8284 That was in 1835?—It was Finding that gold was coming largely into their treasury, under the proclamation, and that they had no means of re-issuing it, it not being a legal tender, the Government exercised its right and withdrew the permission

8285 The permission was issued in 1841?—Yes

8286 The change, making gold not a legal tender occurred in 1835?—Yes

82S7 Will you give your view to the Committee as to the practical inconvenience or advantage which would arise from making gold a legal tender in India?—Silver is the standard of India, and I think it better suited to the transactions of the people, so minute are they, than gold would be It is a matter of opinion, but I do not think myself that two standards could be maintained. If gold became depreciated, it would be used to buy up silver, and I think great distress would result to the people if that were to occur. I speak with diffidence on such a subject as this, but there are authorities on my side, and I have prepared a memorandum upon the subject, which, if the Committee please, I will deliver in

[The same was delivered in and is as follows]

MEMORANDUM AS TO GOLD CURRENCY OF INDIA

It is believed that gold and silver were coined in India before the time of Akbar In Mr Marsden's collection, there is a silver coin of Altmash, one of the Delhi Kings, who died in 1235 Shir Shah (A. D. 1535) changed the name of tankha (the current coin at that time) to that of rupeia or rupee, which was adopted by Akbar on his accession in 1556. The first gold muhr* (vulgarly called mohur) recorded in history was struck by the latter prince in the year 1565. It contained about 172 grains of pure gold.

^{*} This word signifies "the impression of a seal"

Akbar fixed the weight and relative value of money on a scale which remained unaltered till the dissolution of the Mogul empire and is the basis of that now in use. His rupes contained 1745 grains of pure silver, and was worth 1: 111d. of English money at that day, the shilling of Queen Elizabeth containing 88 8 grains of pure silver Akbar's standard, as above stated, continued almost unaltered all over the Mogul dominions until the breaking up of the empire, when numerous mints were established by the ministers and viceroys of the principal soubahs who had assumed independence, and the coin was gradually debased as the confusion and exigencies of the times increased The Mahratta and other Hindoo States also established mints of their own, retaining, for form sake, the Emperor's name and superscription, as a titular avowal of Delhi supremacy

Hence may be traced the differences which prevailed and still prevail in the currencles of India. The extent to which the irregularities of the mints had proceeded in the reign of Shah Alum, is thus described in the preamble of Regulation 85 of 1778 -

The principal districts in Bengal, Behar and Orissa had each a distinct silver currency consisting either of 19 ann Moorshedabedees, or old or counterfeit rupoes of various years, council previous or subsequent to the Company's administration. The only parties who benefited from such a state of things were the shroffs, and the Rast India Company endeavoured to remedy the evil in 1773 by declaring that all rupees comed for the future should bear the impression of the 19th year of Shah Alum and thus it happened that the sices rupes was the only one of their come which retained the full value of the original Delhi rupes.

Sir James Stewart in his work* on the coins of Bengul observes-

"The standard of the Bengal money has ever been silver" Gold has been occasionally coined, but the great bulk of the currency has been allver"

A comage of gold moburs (worth intrinsically 11) mocas or 13 34 current rupees, but declared to be equal to 14 sicon, or 16-24 current rupees) was established in Bengal by the consultation of Government held on the 2nd June 1766 and this was the first occasion on which a gold coin in Bengal had been put on the footing of money with a legal denomination with respect to silver coins. It was made a legal tender in all payments, whereas the gold coins which had previously been struck at Delhi had passed only conventionally, being left to find their value in the market. Thus comage of gold in 1766 was professedly undertaken with the view of giving encouragement to the bringing of gold to the mint, and Sir J Stewart remarks as follows -

The Government of Bengal did not consider that every encouragement, as it was called, given to gold come must occasion the melting down and exporting of the silver coin. The only encouragement it was possible to give to gold coins was to fix

a denomination to the new gold coins above their due proportion to the silver currency, or in other words, to render the gold intrinsically worth less in payments than the silver currency, the consequence of which is to engage every one to pay in gold rather than silver "

The result which attended the gold coinage in question is thus recorded by Sir J Stewart —

"Nobody in Bengal would pay willingly in silver supees after the issuing of this gold currency, and it was the greatest oppression to force them to it. The people of that country (India) had been so long accustomed to silver coin, that they never would, except when forced to it, receive the mohuis in payment, so the Company was obliged to make a new regulation in 1769, little better than the former. At last the gold currency fell altogether to many per cent. below its intrinsic value, according to the saying, Dum vitant stulti, vitia in contraria current"

The difficulty of keeping gold coin in circulation was so great, that in 1796 the Governor General (Sir John Shore) recommended the adoption of silver as a sole legal tender.

"First, because it had ever been deemed the standard of India, and, secondly, because looking to the lower classes, to the price of labour, and of the necessaries of life, the smallest possible gold coin was unfit for general circulation, and the cultivator or manufacturer who received it, would be charged with a batta on the exchange or disbursement of it"

In reply to this recommendation, the Court of Directors stated that there appeared to them to be a necessity for a new coinage, both of silver and gold The views of the home authorities were not acted upon till 1819, when an approximation to uniformity of the coinages of the three presidencies was attempted, the gold mohur of Bengal, and the gold rupees (as they were called) of Madias and Bombay, being valued relatively to silver, in the same proportion of 1 to 15, and being declared legal tender in payments.

But the market value of the gold mohurs then comed was considerably in excess of their denominative value, they were consequently but little used for the ordinary purposes of currency

Gold, then, never obtained a very extensive currency, and had practically ceased to be legal tender in India for many years antecedent to 1835. By the resolution of the Government of India passing the Act No 17 of 1835, it was declared, that although the new law would not give to the gold mohur, and its sub-divisions, the character of legal tender, the Governor General would from time to time, fix (by proclamation) the rate at which they should be received and issued from public treasuries in lieu of silver. The rate then fixed was that given in the Act as the denominative value of the mohur and its sub-divisions

Some doubt appears, however, to have existed between 1835 and 1841, whether the gold coins would be received at the Government treasures. The

sub-treasurer at Calentta hesitated to receive them. The proclamation of January 1841 outhorising their free receipt in payment of Government demands at specified rates, was therefore issued, at the suggestion of the Mint Committee with the double object of clearing up the doubts upon the subject, and of giving a more free circulation to the gold coins. But it does not appear that the deliveries of gold bullion to the mint for coinage increased in consequence of the permission given by this proclamation, and the reason doubtless was that after adding the one per cent seigniorage for the coinage. no profit would have resulted from the exchange of gold for all ver The case however is now entirely changed. The price of from 81, 62 to 81, 102 per oz, by which it is understood that gold has lately been purchased in Australia (although in itself no enterion of the ultimate fixed value of gold in relation to silver) affords, temporarily at least, e wast temptation to speculators to send It to India to obtain there silver in exchange, at the rates which were fixed by the Government at a time when the fresh discoveries of gold were not thought of It was clearly the duty of the Government to take the measures which they have adopted, to save the State from loss on account of the operations of speculators.

The question, however of the propriety of giving to gold the character of legal tender to enable it to co-circulate with silver is quite distinct from that just noticed. The following remarks may help, by analogy, to elucidate this question.

Silver was the standard of value in this country (Eogland) till the year 1774, although gold come passed current at certain fixed rates, and were legal tender. In 1774 it was declared by authority that silver come should not be legal tender for sums above 25L, and in 1816 the present over rated silver currency was introduced, being legal tender only to the extent of 40s. Practically however all large payments were made in gold subsequently to the year 1717 when the guinea was over valued by being declared equivalent to 21s. The result of this measure was, that the new silver coins were exported and that none but worn and debased coins remained in circulation. The silver was expelled by the gold, although for 57 years afterwards (from 1717 to 1774) silver was nominally a legal tender to any amount.

Again, the financial history of France affords an instance of a similar character. Proviously to 1785 the Louis dor was rated at 24 livres, when it was really worth 25 livres 10 sols. By making payment in gold debtors would clearly have lost I livre 10 sol pieces on every 24 livres of liabilities. The result was that gold payments were not made, and that gold (although a legal tender) was nearly banished from circulation. Silver alone became practically the currency of France.

Recently in the United States of America, gold has been declared the sole standard of value, and the dollar piece has been simultaneously depreciated in the same way as the silver currency of England, for the purpose of retaining it in circulation. Otherwise it was foreseen that silver would altogether disappear.

The Government of Belgium, foreseeing the inconvenience likely to result both to the people and the Government, have abandoned the double standard which existed there up to last year, and have declaied silver to be the sole standard of value. In France, where the double standard is still maintained by law, it is surmised that a revolution in an opposite direction to that which occurred in 1785 will ere long take place, and that silver will be gradually expelled by the gold. The recent enormous comages of gold at the Mint of Paris justify this conviction

Upon questions affecting the currency, however, one cannot write or speak with too much diffidence, yet why should it be supposed that the effects described above as having resulted in other countries would not be produced in India if the double standard (silver and gold) were to be now introduced? case of gold mohurs, to which it was attempted to give currency in 1766, at a higher than their natural value, as explained by Sir James Stewart, should be borne in mind as a case very much in point. It cannot be questioned that the natural tendency of the recent vast discoveries of gold, or rather of the increased facilities with which gold is produced, will be to deteriorate its value This is the most probable effect, although at present there are no striking Hence it may be assumed that any exact relative value now indications of it fixed as between gold and silver would be hable, at no distant period, to con-Supposing gold to be declared legal tender, all debts* will siderable variation be discharged in it so soon as it becomes depreciated below its nominal value. and then silver will be exported for the purpose of buying gold. This will be the natural result so long as any undue irregularity of nominal value exists between the coins of the two metals, and the only remedy would be the inconvenient, expensive, and altogether objectionable one of changing either the size or denominative values of the coins from time to time

The effect, however, of a change from a silver to a gold standard in a rich country like England, where the transactions of the people are of a magnitude sufficiently great to maintain an extensive gold currency, differs materially from that which would result to the people of India. The monetary transactions of the latter are still (as they were during the Government of Sir John

^{*}The position of the debtor and creditor classes generally, and specially of the Indian Government in relation to its debt, is deserving of serious consideration on this part of the subject

Shore) of the most minnte description, requiring, for the most part, the lowest denominations of silver currency (the two and four anna pieces), and even lower than these (the copper pyce and half pyce pieces), the coin last mentioned (half-pyce) represent 1 138th of a rupee. It cannot be supposed that such a population could, to any extent, absorb a gold currency, if the value of gold should continue at any approximation to its present value, and unless (which the boldest man will scarcely affirm) the point has now been reached at which the relative values of gold and silver can safely be determined, it has been shown by the analogous cases of this country, France, and America, that the coin which is relatively the cheaper of the two will drive away the dearer

We arrive, then, at the conclusion, that practically two standards of value cannot co-exist and that although, in a wealthy country, comparatively little injury may result from the double standard, the effects in India would be most seniously felt by the masses of the population.

8288 You say that silver is the standard in India. Up to 1835 it was not the sole standard in India was it?—The Government certainly allowed gold to be coined upon certain terms and to be received at the public treasury, still I think, and I have so stated in that paper that silver was practically the standard. Sir James Stewart, who wrote upon the subject, and who was a great authority in bye-gone times upon these questions in India, declares positively that it was so, and he traces it back to the time of Albar

8280 The proportion that was established of 15 to 1, would surely prevent under all present appearances, any practical inconvenience arising from the establishment of a double standard on that relative proportion, would not it?—It might, but if the proportions were so regulated as to give an undue value to gold over the silver, the effect would be not to make it a standard at all.

8290 Is not that the proportion in existence?—The Government of India reserved to themselves the power of regulating the proportion; that was the proportion that was fixed.

8201 Under that proportion, do you anticipate that gold would come into India and bny up silver?—It was coming in very rapidly from Australia when the Government issued its proclamation

8292 Are you aware what the price of gold then was in Australia?—I am.

8293 What was it?-Less than 3/ an ounce

8294. Are you aware what the price is by the last advices?—£3-17.

8295 Though there may be for a time a low price on the introduction of gold, would not the price be regulated by the price in this country, and may we not therefore suppose that that low price in India could not be a permanently low price?—There must be constant fluctuations in the absolute and relative value of the metals, and whenever the one becomes depreciated, it must, I think, have the effect of displacing the other

8296. The effect which you might apprehend, when the price of gold in Australia was 60s. an ounce, would not occur when it was 77s., would it?—No. The Committee will observe that the Government had no power to re-issue the gold. Gold had ceased to be a legal tender, and under such circumstances the Government would have had no alternative but to send it home in bulk to England, or sell it in the market

8297. In a country where, as you say, it is very difficult to transport money, or make remittances from one place to another, would not it be desirable to make a legal tender of the more precious and more easily portable metal?—There would be a convenience in it in that respect, but I do not think it would countervail the risk of injury to the people

8298 In what way would the injury be occasioned?—I think that gold might become depreciated, and might be used for the purpose of abstracting silver, and silver is the metal which is most suited to the transactions of the people

18299. Sir C. Wood] Would gold be as available for the ordinary payments which the Government has to make as silver?—If the Government declared it to be a legal tender

8300 Chairman] For remittance to this country gold would be preferable, if resort must be had to a remittance in specie?—Yes, and there can be no doubt that the exchanges are more easily adjusted between two countries having the same standard than between countries having different standards

8301 The whole question depends upon the proportion established between the two piecious metals, does not it?—It does, but there would be an inconvenience in changing that proportion frequently.

8302. Sir C. Wood] Would gold be as available for the payment of the troops as silver?—I think not, the native soldiery could not be paid in gold.

8303 Chairman] An objection has been made to the establishment of gold as a legal tender, that it would be unfair towards the recipients of the dividends on the debt, with respect to the debt created previous to 1835, that objection could not be made, could it?—I think not, because gold was receivable at the public treasury when those loans were negotiated.

8804 Sir T II Maddock Did the Governor General put on record any minute explanatory of his reasons for the proclamation to which you have referred?—I think not.

8305 Did he explain his reasons in any despatch?—There was a despatch from the Government to the Court, and a despatch from the Court in answer approving of what the Government had done

8906 Can those documents be produced in evidence?—They can, if the Committee are pleased to call for them

INDEX

TO PAPERS RELATING TO THE INTRODUCTION OF A GOLD CURRENCY INTO INDIA

•	PAGR
ACCOUNTANT GENERAL OF INDIA, to Government of India, 7th September 1865 Forwards Bengal Bank's letter on arrangements for sending sovereigns to England	326
To Government of India, forwarding Bank's letter advising shipment after insurance	,,,
ACT XIX OF 1861, operation of, see Commission,—Paper Currency	327
ALLOWANCE for wear of gold coins, notification of Government of India, 24th Nov 1869,	710
Arbuthnot, Mr A J, minute, dated 30th November 1868	518
Question stated, measures to obtain opinions of competent persons	465
Conclusions arrived at from reading papers containing the opinions	,,,
1st, measure will not succeed, unless sovereign be made legal tender	466
2nd, a varying seignorage to be imposed on silver coinage at commencement	"
31d, whatever gold coin may be used must be made legal tender	"
Reasons stated, why a varying seignorage on silver coinage is necessary	***
This the only convenient mode of meeting variations of market value	467
Essential that any coin introduced should be made legal tender	22
Necessity of this shown, opinions of Col Smith, Mr Massey, and Madras and Bombay	,,
Chambers .	
On these conditions, no serious difficulty in introducing gold currency	468
Two ways, 1st, making sovereign legal tender at Rs 10, abolishing seignorage on gold	200
and raising that on silver	
2nd, pieces of Rs 10 and 5 of present value of silver with varying seignorage	,,
First measure supported by three Mint Masters as of great practical convenience	**
Major Chesney's objection of fall of prices not so serious as supposed	"
Objection of effect on rate of exchange stated, with remarks thereon	469
Another objection, risk of sudden demand for exportation to India, on a crisis	470
Distinct coin for India will retard adoption of generally current coinage	471
Objection to sovereigns at any rate but Rs 10, is confusion of accounts	,,
Notification, valuing sovereigns at Rs 10-4, not likely to succeed more than that of 1864	,,
Rupees 10-8 lowest likely rate, but effect donbtful if not made legal tender	**
As regards standard value of gold pieces, agrees with Colonel Orr's memo	,,
On whole, best mode to declare sovereigns at Rs 10 legal tender, with enhanced seign-	
orage on silver	472
The present why a favorable time for introduction of gold currency	33
ARBUTHNOT, MR G, of Her Majesty's Treasury, memo dated 20th August 1858, app 7	249
British settlers in West Indies carried with them money accounts of mother country	**
To this system the value of the Spanish coins adopted was adjusted	,,
Consequences of errors arising from arbitrary valuations	33
Confusion made worse by proceedings of the Home Government	**
Doubloon overvalued relatively to dollar, gold becoming practically standard of value	,,
Order of Council of 1825, declared 4s 4d to be equal to the dollar	"
This a higher rate than was justified by intrinsic value of the coin Rate applied to doubloon, hence dollars and British coins excluded from currency	"
Object of order in Council and of proclamation of 1838, to fix relative values	13
Result that Spanish and Mexican dollar was rated for circulation at 50d	250
Coincidence of principle and convenience attending this valuation	
Acts of Colonial legislatures to adjust contracts to new valuation	**
Proceedings successful, use of British with foreign coins established	"
But proclamation of 1888 led to general use of Mexican silver dollars	,, ,,
This continued till gold discoveries gave trade in silver a new direction	,,

	P1 61
BUTHEOT Mr. G —confirmed.	250
Arrangement not final; true standard of value can only be on a single metal Double standard can at best be only an alternative atendard	
Cheaper metal when values vary must become chief measure of value	251
This followed on California discoveries, which had sensible effect on silver	
Moriean dollars gave way to gold coins and British allver	*
Transition effected without disturbing contracts, or detriment to people Currency of other colonies in North America regulated on same principle	~
Law of Canada and mint law of United States amimilated in course of events	.2.
Result, that gold has become measure of value throughout North America	253 283
Notes on Sir C. E. Trevelyan a minute, dated 16th September 1884 Difficulty of subject; different conditions in India and other countries	يون د
Concedes that gold instead of allver standard is unobjectionable in principle	
Concedes that gold instead of allver standard is unobjectionable in principle Remarks on future supply of metals; market prices against Sir C. Trevelyan a opinion	28
No example of alleged sequence, first allver then gold, ultimately paper	19
In Britain, France, and United States, paper existed before adoption of gold standard Subject entangled by uncertain elements suggesting caution	*
Movement of metals governed by many contingencies besides supply	28
Natural effect of gold discoveries stated, causing considerable fluctuation	
These effects followed California and Australia; how arrested or modified	13
Main cause of disturbance, fortuitous character of trade with East This described; large remittances of silver to edjust balance of trade	
Sir C. Trevelyan a dictum of relation of circulation to prices needs qualification	280
Want of coin has given impulse to demand for a subsidiary gold currency	**
Proposed to case pressure by declaring sovereign legal tender at Rs. 10	287
Returns do not prove that large importations will follow at this price Doubts completences of calculations; conclusions from them erroneous	*
Scheme founded on information given chiefly in Mr Dunlop's paper	
Reasoning from statistics delusive without attention to collateral facts	*
Merchants not governed by averages, but calculation of present profit Remittance of sovereigns from England to India how governed; quantity an element,	, Ří
Mr Dunlop's calculation of cost of laying down in Calcutta differs from Or Bank's	
Advantage of direct importation over rated; elements overlooked	
Prime fallacy of scheme, that sovereigns must be raied at cost from Australia Importance of examining an assertion supported by so many	281
Sufficient answer that all gold produce of Aux, would only supply one-fourth of domand	11
Of gold imported to Britain, Australia supplies only a moderate portion	p
This used to get eiter for India, or gold would be sent there direct	200
Further investigation needful; experience derived from other nations United States, an example of offset on currency of small errors of valuation	
Account of regulation of currency of that country from 1793	
In France double medium of exchange more nearly adapted to relative values	201
Unnecessary to cite other countries where a similar system prevailed itemarks on application of principle to currency of West Indies	**
There the most perfect example of adjustment of a mixed currency	
Paper made use of by Sir C Trevelyan does not bear out his inference	203
Object of that paper; conditions described not found to India Elements wanting in India for concurrent valuation of gold and silver coins	*
In all cases mentioned, a common prevailing price formed basis for regulating use of	"
gold and allver coins	*
As to sources of supply Ural mountains the chief before discoveries Not found that gold was cheaper in countries bordering on Russia	*
When once sent out, gold becomes of same value whencescover derived	203
Why relatively cheaper in India compared with allver than in London	
Answer position which India holds is exceptional; this explained Remove impediment to concurrent circulation, and difference will coase	*
Price of silver in London, not of sovereign from Austr in Cal, point to be considered	-
This the main difficulty in way of introduction of a cold correct	
Experience wanting as a guide; in first half of century little variation	20:
Since gold discoveries, fluctuations; London price of allver affected by India Rash to attempt at present time to establish gold in the currency	. س
A tentative and experimental course the wisest policy	*
Sovereigns to be received at Rs. 10 for revenue; this leading to increased use	*
If officially recognized as currency to be received at varying premium Might relieva pressure, if principle extended to exchange of notes for sovereigns	*
Defoutors to be allowed to redeem their gold within a limited period	20

INDEX. 583

	PAGE
ARBUTHNOT, MR G,—continued	
Difficulties from delay in coinage of silver thus alleviated	295
Sir C Trevelyan's practical objections on this head, auswered	,,
Association —See Bombay Association.	
BALANCE of TRADE—immaterial whether paid in gold or in silver	28
Europe unable to return merchandize to India, difference paid in metals	150
Importation of specie increased, embarrassment heightened by foreign wars	100
	751
India not prepared to accept English manufactures as equivalents	151
Only article in universal demand amongst the people, specie	152
Probable consequences of deficiency of silver for adjustment of balance	157
Way in which payments between India and England are arranged; Council drafts	523
Adjustment made by Secretary of State's drafts and money payments	532
Would be largely adjusted in gold if gold made legal tender .	570
Ballard, LT Col J A, Mint Master, Bombay Note explaining return of quotations	
of price of sovereigns in Bombay	272L
Explanatory note on quotations of prices of sovereigns in Bombay .	355
BANKERS —See SHROFFS	
BANK NOTES—See PAPER CURRENCY	
Bank of Bengal-Mr G Dickson, Secretary, to Government of India, 17th March 1865	310
Forwards statement of practical working of notification of 18th November last	
Considers this a favorable opportunity of deciding on further action	**
	13
Demand increasing, but sovereigns will not circulate, while value is uncertain	33
Time come for declaring sovereign and half-sovereign legal tender at Rs 10 and 5.	"
Some difficulties remain, still introduction into currency a great boon	311
No derangement of money market if measure made gradual	32
M1. Dukson's Note on receipt and issue of sovereigns and half sovereigns, 9th March	
1865	"
Receipts commenced December, proportions in general treasury and over bank counter,	"
Of number received, Ithe Australian, and Ith English sovereigns and half-sovereigns.	312
Chief lodgments by branches, then by a Jew, then by native merchants	"
Some by English houses; in short, gold paid in by all classes.	"
Payments mostly over counter, proportion sent to mint and to branches	"
English sovereigns preferred to Australian, difference in alloy disregarded	
Without Agra Bank; payments chiefly to native bankers and Enropean travellers	"
Average payments, December to February, excluding remittance to mint and up country	313
Transactions with Currency Department, amount exchanged for rupees	
If flow of gold come continues steady, limit of reserve will soon be reached	**
Sout to Luguetes notwee from Commons abovered note needed as archange	314
In other branches exchange realized below Cawnpore average	
	33
Appends letters from Cawnpore and Agra agents on price and circulation	33
Total imports of gold coin and bullion to Calentta in 1864, largely Australian	33
Subjoins imports and exports of gold since 1856 to and from three presidencies	975
Statement of imports and exports of gold from April 1856 to April 1863	315
After allowance, value of imports in leaf, bullion and coin larger than supposed	316
Estimate for 1864 to 31st December, from 8 to 10 millions sterling	33
Inference regarding circulation of sovereigns from experience of three months	33
Use of sovereigns will not promote extension of ten-rnpee notes	"
An important fact that £150,000 received in sovereigns in past fortnight	2)
Detailed statement of sovereigns sold by Cawnpore branch bank	317
Mr D Kennedy, Cawnpore Agent, to Secretary, Bank of Bengal, 9th February 1865	320
Could dispose of £2,000 worth of gold every month in the bazai	"
Price of gold now current, range seldom above 4 annas per tolah	"
Mr T Dyson, Agra Agent, to Secretary, Bank of Bengal, 20th February 1865	12
Demand for local use slight, estimate of monthly sales, 200 tolahs	>>
Descriptions readily saleable, China leaf gold and English sovereigns	"
Agra tolah weight compared with Company's of one rupee weight	"
Sovereigns never fall below Rs. 10, as shroffs refuse less, when sold, melted	"
Fluctuations at famine period, and at height of cotton mania	321
Quantity that may be disposed of, present rate at branch Rs 10-1-6	"
Remittance in English sovereigns desired, Australian sovereigns not in favor););
Why no advantage in disposing of sovereigns for bills at one month's sight	"
If branches established at Delhi and Umritsir, a good business might be done	
Mr E D. J Ezra, merchant, to Secretary, Bank of Bengal, 9th March 1865	,,
Sovereigns received from Egypt, &c, mostly English, for purchase of indigo and Dicca	"
more goods	
piece goods <i>Air Dickson, Secretary</i> , to Accountant General of India, 7th September 1865	326
THE THEORY, DECISIONS, TO ELECTRICATE MEMBERS OF THEIR, LESS CENTRES AND	

ANK OF BENGAL,—continued	826
Arrangements detailed for sending 16 lakhs worth of sovereigns to England	020
To Accountant General of India, 9th September 1865 advising shipment with list of	
pollcies	328
10 Dickers Revelege to Sir R. Temple, 10th August 1868	881
To encourage importation of gold preferable to restricting that of silver	
But success doubtful unless sovereigns be declared legal tender	-
Present state of things exceptional; return to normal condition expected	
Not safe to be guided by price of gold during few years ending 1864	"
The sale is the guided by price of guideling the first all months of 1939	
Latest quotations of sovereigns; average for first alx months of 1868	385
Average price of sovereign and of gold, 24 carats fine, in 1867; mean of 31 years	300
While silver is better remittance than gold from Australia, little of latter will be sent	
Secretary of State and Sir W Manafield quoted; mean average	
So long as gold is not made legal tender value will fluctuate	
Question 1st-will it pay importer to part with gold at Ra. 10-4?	
Reasons why importation at this rate will not be free and certain	_
But not much risk of less to Government; inconvenience how to be averted	386
Yield of gold remittances to and from England; rate of Secretary of State's bills	
Prefers sovereign being made legal tender at Rs. 10-4, with Indian coins of Rs.10	-
This rate, though without legal tender safe, and an improvement	
2nd-colning 10-rupes pieces at or about standard of 1835; Act unrepealed	
Old of 1041 and 1050 if which make an arms of the threshold	387
Orders of 1841 and 1852; if value unaltered, Semrtary of State's sanction not required	307
3rd-sensing sovereigns to mint for re-coinage, with bar and bullion, in 10-rupes pieces	H
Indian soversign exact multiple of rupes, desirable, though English rated at Rs. 10-4	×
4th—sovereigns and pieces being got into circulation, to make them legal tender	
Concurs fully but hard to set measure affect without legal tender	,,,
5th—whather gold ploce will become sole standard, and silver a token	**
Considers gold place to have every chance of making its way	
Why safer to rate covereigns at Ra. 10-4 than higher if not made legal tender at once	388
High price of gold not due to rise is relative value, but low rate of exchange	
When exchange returns to normal state, large import of gold expected	
Present why a favorable opportunity for rating sovereign at Ra. 10-4	~
If result prove unfavorable no great loss in sending gold to England	
Appendices I II, and III of letter described	889
Table of market price of gold, bullion, and sovereigns in Calcutta, 1863 to 1865	390
Barne continued, 1866 to 1863	391
Average rates of exchange, Cal. on Lon. for 8 months' bills, and of discount, 1838 to 1838	394
Same continued, 1856 to 1866	300
Eridence of Assay Master before Select Committee on high price of bollion	400
Evidence of Dr Kelly on relative value of gold and allver in England and foreign	
countries	401
Relative value of gold and eliver in England and foreign countries by mint regulations and	
REMYS	402
Note by Mr Dickson, Secretary dated 15th January 1879	531
Conviction deepened that conclusions of Committee are sound	
Present time opportune for taking another step forward	ь
Chief difficulty insulaquate supply of gold in Indian markets at present	*
Causes which have secured supply of allver will draw gold to India	533
Adjustment of balance of trade made by Secy of State a drafts and money payments	
Operations of exchange banks will add materially to our supplies of gold	29
Silver being legal tender surplus sisius are paid in that metal	-
Course may be a small a form one course to a make a self-or both model a	
Canaca moving specia from one country to another affect both metals	*
Gold sent to England to balance trade might profitably come direct to India	-
Owing to limited import sovereigns command higher value than in notification	
But large indux may be looked for reducing prices to Government rating	
Restrictive nature of potification unduly checks free importation of gold	
Effect of Franco-Prussian war in making exchange rule unusually low Question for Government, whether decided action not needed to pave way for gold	533
Question for Government, whether deckied action not needed to pays way for gold	
Proposes, 1st-that sovereigns be received at Indian treasuries without restriction	
2nd—to issue currency notes for gold bullion tendered for coinage	
If a sufficient supply sovereigns and Indian pieces to be declared legal tender	
biliter to have concurrent circulation till gradually demonetised	
liefers to what was said in 1568 on evil of raising intrinsic value of rupes	53 6
Proposal while progressive practical and safa; no harm even from fallure	
loss on Becy of State a bills; n means to counteract downward tendency of exchange	
This could not be if treasures had sovereigns or bars at certain rates	ಟ್ಯಾ

BINK OF BENGAL,—continued	PIOB
Ex imple showing 4 per cent. in favor of India compared with Secy of State's bills	202
Four points taken for granted as result of adoption of his proposal	535
Mr Hendrick's criticism, on rating of sovereigns as not scientifically correct	""
Circumstances in which Committee fixed rate at Rs 10 4, rejecting fractions	53G
Reison why smill under valuing cannot interfere with importation	,,
Objection made from materials, to interest with important of	"
Objection made from partiality for international comago seĥemo	537
This a large question, and removed further from solution by action of Germany	,,,
Dinger of relying on help from extraneous sources, illustrated .	,,
Fourts suggested for discussion by Royal Commissioners on international comago	,,
Conclusions of Royal Commissioners against reducing value of pound to 25 francs	538
Remarks on course of Germany in changing silver for gold standard	539
Cilculations showing mismitableness to India of an international schemo	000
Another aspect, oscillations of exchange when two countries have unlike currency	511
Rate of exchange governed by regard to cost of remittance and loss on specie simpments	OBL
Proposal, a powerful corrective of rate of exchange ruling in London	,,
Equilibrium of revenue and expenditure in India bound up with rate of exchange	"
Liberton of research and expendence in rather bound up with rate of exchange	2)
Fallicy to suppose that 5 per cent lom in England involves no further expense	,,
Not only interest but loss on exchange involved in contracts with railway companies	512
Conclusion, me ins of escape in case of fulure, if snecess, no danger	"
Reserves remarks on contemplated issue of a 5-rupee legal tender noto	"
Mr Dickson's second note on Indian gold currency, 7th February 1872	,,
Agrees partly with Mr Strachay, but error inderhes his whole argument.	543
Two man arguments of objection to rating sovereigns at Rs 10 4, stated	
Experience since shows average market price to be Rs 10 8 and not Rs 10-4	5 43
But hold not being legal tender, market price no criterion of ultimato valuo	
We must go back to first principles, Mr Arbuthnot quoted in proof	51.1
Quotations in support, from Mr. Tooke's book on prices	544
Iligh price of sovereigns from supply being unequal to demand during low exchange.	"
	22
Let supply equil demand and market price will full to its ultimate value	515
bluctuations from extraneous causes no sate goude in determining value	22
By following market price, notification of 1864 became a dead letter	"
Causes operating against supply of gold being equal to demand	,,
Mr Struckey's 2nd point, Lord Sindhurst's reasoning in reply, sufficient	31
Importation of metals as merelandiso not wholly matter of profit and loss	1)
This resorted to in dischirge of obligations when promium on bills is too high	,,
Payment in bills or specio depends on cherpness of ono or other modo	546
Mr Struchey's quotations from app to roport of Commission on value of gold and silver	,,
Possible error in appendix, varying result expected in casting averages	"
Quotes from appendix to Blue Book of Royal Commission on international coinage	33
Statement showing price of silver in London from 1856 to 1865	$5\widetilde{4}7$
This quoted to show danger of relying on inverages as a sole guide	
Mr Struckey's argument being unsound in its inception, fails iltogether	"
Refers to facts bearing on precious motals as articles of merchandise	"
Unte of exchange calculated when bar silver at 5s 1d per ounce is coined into rupees	548
Conclusion therefrom, that remittance in silver is more profitable than bills	_
Similar calculation, when sovereigns are sent, rated in India at Rs 10-4	27
	E 10
	549
Deduction from the facts, that rating of Rs 10-4 is sound and scientific.	,,
Ruting also agrees with Act, Mr Struchey's argument on point stated .	"
Example of relative value varying with price of silver in London	,,
England and India not analogous, so that England should determine relative value	222
, , , , , , , , , , , , , , , , , , , ,	550
Reason why relative value of gold and silver differs in India and in England))
Example showing relative value of gold piece to be not far from 15 to 1	,,
	551
Loss in converting sovereigns into moliurs by Colonel Hydo's method, imaginary	,,
Method tested by calculation, loss 1 per ecut instead of 142	552
Three practical tests proposed for trial at the mint	"
	553
Every passing year demonstrates soundness of Committee's rating	,,
If higher value fixed, gold would have been over-valued and silver driven out	,,
Pince of sovereigns still falling and expected soon to fall to Rs 10 4	"
Mr Strachoy's proposal in opposition to authorities and European practice	,,
	554
Another difficulty in introducing gold through an international entrency	,,

	71.0
BANK OF BENGAL, -conf sued.	55
Mint charges in England, Sydney France, America, Russia, and India Change of standard in France and United States; standard of other countries	, OO
Refers to reign of James L, to show danger of over-valuing gold	85
Necessary to leave untouched our present measure of value, the rupes	55
Every recognized authority gives preference to a single gold standard Approves conclusion of the majority of the Government on the subject	, n
Relative proportion of gold and aliver coined before and since Act of 1835	19
BANK OF BOHELY Mr M. Balfour Secy and Treasn, to Govt. of India, 12th Nov 1808 Asks how severeigns received on Govt. acct. should be treated under notifu, of Oct. 1866	
Points out that notification does not make sovereign legal tender at rate specified	36
Also, no provision for obtaining reliaf from expected accumulations	36
Past accumulations how disposed of by Government; further accumulations expected Legal tender would have placed Government on equal terms with the public	38
Shows how accompulations would reduce allowance made to the Bank	36
Stability of Bank endangured; enquiry as to intent of notification	
All inconvenience obviated, if gold made legal tender; Mr Massey's opinion Raz Silver.—See Silver.	-
BESGER CHEMIER OF COMMERCES, to Government of India, dated 25th May 1859	. :
Forwards letter from Calcutta shrofts and merchants in favor of a gold currency	
Opinion of Chamber in favor of a subsidiary gold currency up to Rs. 200 English sovereign to be the circulating medium at a fixed rate	
Objections of Government invited, with view to their removal	
To Government, 31st May 1859, correcting wording of a sentence in latter of 25th Rejouder to Government of India, dated 25th July 1859	
Rejounder to Gosernment of India, dated Zoth July 1850	,
Discovery of gold in California and Australia has not depreciated its value Examples of France and America addreed in favor of proposed change	į
Benefit to India from shipments of siver liberated in other countries	
Change will not necessitate future alteration in value of gold Second objection exaggerated; resort to money londers not a necessary consequence	9
Sellers of commodities would receive gold from buyers to adjust balance	*
Rosson why no parallel case has occurred or can occur in England	
Introducing gold as subsidiary currency only way to introduce it at all Inconvenience pointed out, imaginary; purchasing power not affected	10
This seen in regard to copper in India and silver and copper in England	*
Objection mot of payment by Government in gold, in regard to securities	31
Objection lies against double standard, not a limited subsidiary currency Limit of Rs. 200 brings proposal out of category of a double standard	15
Reasons which make the present the most fitting time for change	ĩ
Ground of portability urged by native bankers, vindicated	14
Gold received after 11th November 1840 by officers in charge of treasuries But privilege withdrawn, after Californian and Australian discoveries	16
Not more hopeless, nor any hardable, to fix value of gold now	*
Concurs with Government that fact of hourding is no reason for a legel tender	
But urges that if gold be hoarded, it will liberate alver so used Relieves proposed measure would be beneficial instead of huriful to India	10
One selventage, not noticed by shroffs, less wear and tear of gold	17
Committee in favor of making gold the standard as in England	19
They proposed a more moderate measure, as more likely to be entertained. Propose now as an experiment, that legal tender be below 20 severeigns or even two	*
To Government of India, 19th February 1861, forwarding Resolution of General Meeting held on 17th	40
Asks for a Committee to enquire into best mode of introducing an auxiliary currency	41
Belleves that a tentetive measure will gradually lead to a gold currency	*
Correspondence on the subject in 18-9 appended Resolution of Special General Meeting held on 17th February 1801	33
To Government of India, 23rd January 1866; resume of past proceedings	330
Reason of failure, that sovercign not declared legal tender at its. 10	ន័រ
Still of opinion that legalization is the proper course to be followed. Suggests enquiry by a mixed commission of Government officers and others	#J1
Present circle system of paper currency to form part of angulry	
To Government of India, 3rd February 1866, nominating Mr Bollen and Mr Cowles	332
BONBAY -Trade of, increased 2.0 per cent. in ten years	51
I lustica of Custom House to be Increased 16 to 20 per cent, to give true amount	33
Manar Association - Memorial to Covernment of India, dated 8th February 1801	33

Bombay Association —continued		Plge
Reasons stated why a gold currency is imperatively needed in India		38
Silver weighted with heavy charges, while gold might be cheaply imported		39
Currency Act of 1861 provides no remedy for defects of monetary system		
BOMBAY CHAMBER OF COMMERCE — Memorial to Govt of India, dated 19th Feb 1864 Expansion of trade, insufficient silver, derangement of prices		" 43
Increased production and importation of gold, other reasons in favor of change		,, 44,
To Government of Bombay, dated 14th September 1868		431
Decidedly for a gold ourrency, mode of introduction the question	•	
Simplest mode, to coin pieces of Rs 10 and 5, declaring them legal tender		"
Would not com 15 and 30 Rupce pieces, these being obsolete		"
Relative value of gold and silver not altered materially from that of Act of 1835		432
Sovereign cannot be admitted at Rs 10 without raising value of the rapee This a great danger, as well as aitificially raising its value		"
Only sate course, to allow sovereigns to be paid into treasuries at Rs 10.	•	,,
No plan that can be devised will succeed without making gold legal tonder	•	433
Evils of double standard theoretical, and should not stand in the way	••	
BOARD OF REVENUE, Madras, proceedings, dated 22nd Jnne 1858	•	2Ï9
Forwarding letter from Mr Phillips, Collector of Tanjore to Govt, with recommendati	on	"
To Government of Madras, 2nd July 1858, forwarding Tanjoro Collector's letters		222
To Government of Madras, 10th August 1858, submitting correspondence	••	225
Points of correspondence, private imports and exports of sovereigns in 3 years **Alsmo of Members**, May 1864*		226
No reports on which to form an opinion of expediency of a gold currency	• •	238
Opinion based on general views, not on statements of local officers	••	239
Pirces of produce high, monoy received hoarded, hence silver scarce	•	
Papor currency gives little relief, from difficulty of change at treasuries))))
Gold in requisition, gold currency would be eagerly accepted		"
Money accumulating in purely agricultural districts, and little outlet		,,
Consequently hoarded; gold better for purpose, and would set silver free North-Western Provinces, to Government, N. W. P., 4th Aug. 1864, forwarding semi	•	"
member's minute	or	273
Mr Money admits Mr Muir's theories, but thoir application difficult		
Loss in relation to permanent settlement if gold fall in value		"
Fall not improbable, India's power to absorb metals, the question	,	"
Limit will be reached, causes expected to diminish demand for gold	••	274
Customs might make up loss of land revenue, but payers benefit at expense of others	• •	>>
In view of fall in gold suggests adjustment of values every 30 years Mode in which provision might be made for adjusting values	•	"
Future permanent settlements to be subject to periodical equalization		275
Minute of Mr Muir, Senior Member, 23rd July 1864		12
Sir C Trevelyan's measure has an important bearing on permanent settlement		"
Silver subject to little depreciation, hence finetuation could be disregarded	•	"
Not so gold, enormous production likely to cheapen the metal		"
Causes which have prevented depreciation being yet felt On filling of existing voids, rapid depreciation of value expected	•	32 976
Fall will affect perpetnal engagements expressed in gold currency	• •	276
Corresponding virtual diminution of land revenue shown by an example))))
Future rulers should have liberty to readjust demands of the State		35
Demand to be modified not on altered standard of agricultural prices	•	22
But according to relative value of gold and silver		27 7
An advantage of this mode, that it can be applied to Bengal and Benares Uniform terms of permanent settlement an important end	•	"
Settlement originally made in silver as representing share of produce	•	* "
Point illustrated by ease of a private contract on a similar basis	•	"
Distinction between ordinary transactions and perpetual obligations		,,
Cases of perpetual annuities few, but to be exceptionally treated		278
Objection met, of no special condition being required when standard is changed	•	,,
Perpetual obligations must be met on basis of equivalence of value This equitable, change of standard a matter not of necessity but convenience		"
No breach of faith involved as regards the permanent settlement		"
Re adjustment on average of 10 past years, if gold fall more than 10 per cent		279
Objection met, that other sources of taxation will open with progress		"
Also, that basis of snggestion, viz, fall in gold, is itself unceitain		"
BREACH OF FAITH between debtor and creditor, the effect of change from silver to gold .	•	20
This consequence the result of obligations being contracted in silver	• •	24

	7144
Berach of faith —continued	26
Same result from double standard when not existing from early times	30
Mr Laing diments from Mr Wilson a view on paying Babilities in gold	30
Instances countries which have changed standard without being open to charge	รีร
Disagrees with many of the objections; why not advisable at present	66
Mr Wilson's objection theoretical; change of standard, no breach	83
State not bound never to change its legal tender as expression of value	
If creditor paid full value, whether gold or silver no cause of complaint Money system implies contract to receive value in whatever form	84
Fallacy of Mr. Wilson's Illustration of contract for wheat, exposed	85
Contract could only be fulfilled by giving more of the inferior grain	-
Contract for value must be completed in value at present time	87
Argument recoils on very measure on behalf of which it was adduced	103
Mr Wilson a objections answered in Sir W Manafield a minute	169
lighten Concerns monetary system of described by Mr Arbuthnot of Tressury	249
BRITISH COLOURS-monstary system of described by Mr Arbuthnot of Treasury HROWN MR. CLAUD, to Sir C. E. Trevelyan, dated 28th May 1864	265
Sovereigns would be generally received, but how get them at Rs. 10?	
Data of value of standard gold during 3 years, giving Ra. 14-4 per mohur	260
Cost of sovereign at this price, with seignorage Rs. 10-4-6	,
Value may vary to Rs. 10, but no valid ground to expect it	
Best alternative, to coin an Indian sovereign of Rs. 10 value	
BULLION —See also GOLD—SHYPR	
Mr Dunlop's remarks on importation of into India	252
Difference between bullion in Bank of England and as imported to India	305
When soveredges tendered as bullion, no charge to be made for seignorage	374
Market price of gold ballion and sovereigns in Calcutta, 1883 to 1868	890
Evidence of Assay Master before Select Committee 1810, on cause of high prices Rough estimate of buillon evallable in India	400 428
Question of effect of gold standard on bullion boarded	430
Prices of gold quoted in Indian markets, refer to coins not gold builion	488
Mr Dunlop's remarks on importation of bullion	508
CARPENDALE, COL. J. Mint Master Madras, to Gort, of Fort St. George, 18th Sept. 1868	443
Enquiry in three heads; chief obstacle gold has fixed value out of India	441
In South India gold commands price above intrinsic value in Europe	
At Madras difference in favor of English sovereign on account of color	29
Sovereigns have higher price than gold in other shapes, from mint stamp	415
In provinces price of gold varies with caprices of the people	
Intrinsic value, apart from other elements in relation to silver	
Increased seignorage on allver will not cause sovereigns to be paid at less than value	448
Question of cost of sovereigns imported from Australia and from England	417
Par value of sovereign or equivalent quantity of gold, not likely over to be Ra. 10 Nor will less than Ra. 10-12 as equivalent bring it into Government treasuries	448
If it were so, it would not be a success, while not circulating generally	419
Whatever gold coin may be decided on, should be declared legal tender	
Tables appended to report of Commission impugued as to value given to sovereigns	
Relative value of gold to aliver thence deduced not strictly correct	-
Value of sovereign of mohur and of 10 Rupes piece similarly deduced	450
A special coin exactly of 10 Rupees value, the most appropriate medium	451
Advantage compilered of importing gold in preference to silver	
Would abundon seignorage on gold to gi a it advantage over allver	-
Remarks numbed up; Rs. 10-12 should be fixed value of sovereign	*
Prohibition to receive mohurs to be withdrawn; smallest price to be Rs. 15-11 A ten rupes gold coin best calculated to meet with general acceptance	4.3
Cactura, Ma. W R., to Govt. of Bombay dated 1st Jan. 1804; increase of trade of Bombay	51
Valuation of Custom House to be raised 15 to 20 per cant, to give true amount	
With Madras and Calcutta, value in 1863-63 is 106} million rupees	
Wise regulation of currency therefore a matter of great importance	63
Mr Wilson quoted, to show argent need of reform	
Object of paper currency to set free reproductive capital	,,
General Intelligence and confidence required for its reception	53
India from past native misrule and distrust not prepared for it	-
Figures from currency department reports quoted in proof	Ξ.
Mr Wilson a e timate of actual circulation allowing for hoarding 100 million sterling	51
This too high, but admitting it currency notes taken after 3 years, only 0 per cent. Capital released thereby only to extent of a million terling or one per cent.	H
Case in Rombay cited, of native distrust of currency notes	-

Cassels, Mr W R, -continued	P1GR
Conclusion, that Currency Act of 1861 has not effected reform required	55
Present monetury pressure at Bombay and its effects described 'Prolonged by insufficient silver currency which gold would have abridged	 56
Mr Wilson's remarks on loss to Government and the public from bulky comage	
His notice of remedial expedients to which nativo merchants lesoit	33
Great expense of maintaining the thousand millions in circulation	
India reproached as 'sink' of piecious metals, absorption of silver Table of amount of silver bullion and coin imported in last 6 years	"
Drain from Europe goes on, but little permanent addition to circulation	5 8
India absorbs more than annual silver production of the world	
Effect of drain on France and probable effect on England))))
Result of scarcity, to decrease circulation and reduce prices	,,,
Argument noticed, of fall in gold since Californian and Anstralian discoveries Rise in silver not due to any special predilection for the metal	59
But to a needless, partly compulsory, demand minrions to other countries	"
Less cost and less variable value of gold, makes it preferable as a standard	6 0
Scarcity of silver and abundance of gold, a reason for a gold standard	,
Discovery of mines opportune for steadying place of both gold and silver Our currency cirtails loss, by forcing us to buy the scarcer metal	32
And preventing our taking gold from Australia which is cheaper	6 1
It gold the standard, demand would create direct trade with Australia	
Silver standard represses industry of India, Mr Laing quoted	$\ddot{6}2$
Mr Laing and Select Committee's provision for introducing gold as auxiliary	"
But this important amendment has somehow become a dead letter. India's readiness to take gold shown by importations of last 6 years	., 63
India forced to be the sink of precious nictals, and forced to absorb silver	
Gold, the only efficient basis for a paper currency for India	64
Way in which gold would check absorption and set silver free	
Adoption of silver standard from first, a mistake which need not be perpetuated. Public ereditor should not be wronged, but country should not suffer.	
Cucumstances altered since Government debt contracted, protective measures required	6 6
M1 Wilson's objection theoretical, change of standard no breach of faith	22
Similar precedent in England and America without causing dissatisfaction	67
Loss can only arise from great depreciation of gold, which is not probable Suggestions for a scheme of gold comage, fixing mint value of gold	"
Coinage to be built on existing silver currency, gold pieces with silver tokens	6 8
Rupees to continue legal tender up to 500, subject to alteration	,,
Double standard hable to great fluctuations productive of loss	"
Mr Laing's opinion quoted in favor of introduction of gold Importance of assimilating our cuirency to that of England	6 9
CEYLON, saved by its double standard from crisis which befel India	172
Mr Pennefather, anditor-general's memo on carrency of island	267
Owes its immunity from monetary crisis to its double standard	270
CHAMBER OF COMMERCE —See BRIGAL, MADRAS, and BOMBAY CHAMBER OF COMMERCE CHAPMAN, MR C E, Officiating Accountant General to Govt of Bombay, 26th Aug 1868	424
Fowards his own and Mr Gay's memoranda on gold corrency	,,
Memo on gold currency, question considered apart from legal tender	,,
Government by receiving gold accepts disadvantages of legal tender without advantages	,,,
Proposal stated, would name a fixed period in proclamation Doubts convenience of gold, silver equally acceptable, notes meet objection of bulk	425
Rate to be fixed, a difficult question, present price of sovereigns a fancy price	,,
Doubts if Rs 10-4 would have effect, profess Rs 10-6 or Rs 10-8 for 3 months-	,,
As regards new coin, observes that gold shows tendency to rise	426
As for legal tender along with silver, quotes Mr Wilson with approval Chapman, Mr R B, Financial Secretary, note dated 27th March 1872	557
Approaches subject with diffidence, resolves it into two questions	558
On 1st question—if gold standard desirable, finds nothing but assumption	,,
Neither Commission nor Lord Sandhuist throws much light on this point More than assumption needed, that gold is proper standard for a nation in any stage	,,
Any decided step now, a leap in the daik, hesitancy of advocates	53 23
Gold and silver cannot both circulate for long as standard of value	"
One must oust the ther, even though relative value exactly fixed	559
If gold becomes standard, enough silver required for subsidiary purposes Silver coinage must then bear nominal value, and become token coinage	,,
Long before masses with then small transactions will use gold	"

590 INDEX

To D. D. and word	1101
PLAYMEN ME, R. B.,—confineed. Fossible consequences of substituting token for a full value currency	559
Lord Bar dhurst's remarks against paper currency in relation to gold, quoted	
Some arguments apply against silver token currency with gold standard	560
Suggests that effect on miles mind be considered before making change	
Bridence before Commission defective; would wait till gold be forced on us	
No demand now for gold demand in cotton crisis has sub-ided	
At close of American war excess of exports over imports fell, and pressure censed	**
Demand for allver may again increase, making import of gold profitable	561
Then the proper time to consider question of change of standard	**
Gold acceptable to trading classes, but masses do not want it as currency	-
Paper currency has supplied great cities on heals of allver standard	*
Second question—what to be done. If gold standard be introduced	17
But one answer gold to be rated favorably and made legal tender	"
Gist of Mr Dickson's proposal to make sovereigns exchangeable for sliver at currency offices	
Cannot recommend measure till Government is prepared to concede legal tender	23
Measure can have no effect on secount of high price of sovereigns	7
An solid retains for expecting that agreed one wall be given at Ha. 10-4	663
Some effect from security given to import of gold, but greater if made legal tender	
Not even then will Rs. 10-4 be offered for that which is worth Rs. 10-7	,
Should high exchange make sovereigns Rs. 10, plenty would come, but Government	
would pay too mu b	
Agroes with fir U. Trevelyan that gold should not be exchanged for notes unless made	
legal tender	
Mr Dickson sargument that sovereigns can be remitted at 1s 111d, no sufficient answer	*
Does not agree that we should receive gold and pay out none	23
This would require high cash balances to be maintained for the purpose Our only consideration should be the smallest sum for working the administration	563
High balances may sometimes be needful for Ioan operations and the like	100×
But not advisable for currency purposes, involving unlimited cost for interest	
Statement appended, showing that gold is coming into the country freely	,,
Would take no steps at present, but let well alone till proper time	,,
Statement of gold and aliver imports and experts, 1850-51 to 1875-78	564
COCHRAME, Mr. J.—Letter to Vicercy and Governor General, 27th March 1868	357
Prefatory observations containing principle of opposition to double standard	ю
State of currency in England stend of 17th century described	,,
Remady proposed opposed by Locks in a letter to Lord Somers Adam Smith and others on same side; Mr. Ricardo, 1810, and Mr. Tooks, 1810, quoted	228
Puts question, if double standard is necessary; Blake and Adam Smith quoted	360
Late panie in London, not from w nt of circulating medium but of confidence	361
Conduct of Bank of England to alleviate the emergency described	
Nothing that then occurred can justly be urged in favor of double standard	363
Mr Blake quoted, on precaution against representations of interested parties	
Another example—the question of resumption of each paymonts by Bank of England.	.2.
Considerations which inditate against adoption of double standard	303
Adam Smith cited on deterioration of respective values of the two motals If double standard adopted, sells from fall in value of gold would ensue	
Mr Chavaller's book cited as to ruin resulting from fall in gold	361
COLONIEL -Son BEITHER COLONIES	
Countission of Enquiry regarding gold currency proposed by Ben Cham of Com.	331
Enquiry to be extended to present circle yatom of paper currency Covernment concurs; attention directed first to operation of XIX of 1801	
Government concurs; attention directed first to operation of XIX of 1861	
Mr J R. Bullen and Mr D. Cowie proposed as members by Bengal Chamber	333
Resolution of Government; subject of enquiry; commission constituted	333
Secretary submits report of Currency Commission Appert of Commission to enquire into operation of XIX of 1501	331
A second investigation desired to determine relative value of gold and allver	569
Question to be propounded for investigation stated	663
Catain of 1503-61; its character described; condition of India at the time	150
Most evil. Europe unable to return Indian exports in merchandize	
Italance of trade had to be paid in species temporary mitiration	
tot a monetary crisis; India not preprared to accept English manufactures	151 153
Only article in universal demand, specie Emphatically a mercantile crisis; money insufficient for foreign trade	103
Not caused by deficiency of circulating medium, but of mercantile equivalent	ជ្រើវ
* as successed and at mestimone signature.	

Crisis,—continued	~		PAGH
And by Regulations of Government giving advantage	to silver over gold	• • •	153
dreat importation of silver, the only article the people	svill tolo	,	
CURRENCY AND BANKING Extract from Mr Laing's miu CURRENCY NOTES —See PAPER CURRENCY			" 35
DICKSON, MR G, Secretary, Bank of Bengal-See BANK	OF BENGAL		
DOUBLE STANDARD Proposal of Ben Chamber open to all	the objections to (Govt of I	ndia)	5
Practically, a permission to pay in the cherpor metal Unobjectionable, if from early times, otherwise breach	of forth	-	26
Effect, to subject holders of obligations to more or less	loss (Mr Wilson)		
Dissent from Mr Wilson's arguments against any form	of (Mr Lama)		30
Liable to great fluctuations, and productive of loss (Ma Meaning of, and conditions involved therein	Cassels)		68
Necessity for one measure of value, the there be double	e legal tender (Si W Manet	Sald	90 9 5
Question considered, popular scattment, one metal the	measure of value	· · · · · ·	169
Though two made legal tender, only one practically the British currency passed through alteration stage, till go	standard of value		170
This experience applied since 1838 to reform of current	cy in colonies		"
Papers relating to Ceylon, immunity from crisis due to	(Si C Treveluan)		172
At best, only an alternative standard hanging on an un	eertain balance (Mr Arbuth	not)	250
In use in Ceylon, neither metal being subsidiary to the Immunity of island from monetary erisis due to this (A	otners Ir Mozr	••	270
Great objections to, cheaper metal becomes practically	the standard	•	297
Slight differences in valuo may change standard, as in 1	France (Sir C Wood)		2)
A period of, necessary for changing basis of currency (Mr Cochrane's letter to Governor General containing v	or U Trevelyan)		303 357
State of curroney in England at close of 17th century,	described	•••	"
Extraordinary remedy, opposed by Locke in letter to L		•	22
Adam Smith and others on same side, Ricardo in 1810 Question, is double standard necessary? Blake and Adam Smith and Adam Smith and Adam Smith and Adam Smith and Smith and Adam Smith and	quoted, and Locke in 1840 lam Smith aited	•	358 360
Late panic in London not from want of circulating me		***	361
Conduct of Bank of England to alleviate emergency, d			22
Nothing then occurring, can justly be urged in favor of Blake quoted on cantion against representations of inte	rested narties	••	362
Considerations stated militating against the adoption of	·	100	363
Adam Smith quoted on deterioration of respective value	es of the two metals		35
If adopted, evils arising from fall in value of gold would be Chevalier's book cited, on ruin resulting from fall in			364
Objections brought against, why not fatal to its adoption	on		404
Difficulties of, largely fanciful, in some cases unavoida	blo (Mr Hector)		409
An inconvenience of no importance, necessary for intro- Only course for bringing in gold, maintaining rapee as r	outeing gold eal standard (Col. Marriott)	1	$\frac{416}{419}$
Evils in operation of, pointed ont (Mr Foggo)			423
Evils of, theoretical, and should not stand in way (Bom	bay Chamber)		433
Evils of, exist chiefly on paper and in imagination (Coll Objections to, apply only to its permanent maintenance	ector of Surat)		434 571
Must be endured, till opportunity of making gold sole st	andard (Sn R Temple)		33
DUNLOP, MR H S Remarks on importation of bullion into	India, Appendix E		252
India has for many years received large amounts of gold Gold finds a ready market in Calentta, import from Au	istralia, 1863	•))
In Bombay gold bars obtain chrrency in tokens, this is	ot tried in Bengal		"
Rate at which Sydney mint standard gold can be laid do	own at Calcutta		253
Rate at which gold of standard value from Melbourne c Expense of sending gold from England equal to three p	er cent		"
Rate at which Australian and English sovereigns can be	laid down		"
Cost per rupee to importers of Sydney, Melbourne and I	English coins		2)
Cost of sending gold from Australia to England same as Most, if not all, gold received in India from Australia, s	sent to England		254
Loss of time in realizing gold in London, when sent thr	ough India		,,
Operators cover loss by rate per rapee of bills on Englan Table of result of gold sent to India for England, comp	d and with direct shinments	•	"
Gold from China inconsiderable, and no chance of large	supplies		255
Table of outturn of bar silver sent from London to be c	omed at Calcutta		"
Rate of Council bills on india last year, measure of pile Present rate of bills equal to 5s 2d per onnce of bar sil	e or oar suver ver in London		25 ₆ .
Statement of selling prices of bar gold and bar silver of	standard quality in London		257

Quotations of China lenf gold of 100 tooch at Calcutta per total Quotations for Australian gold at Calcutta Draon Nin. T. Agra Agent, Bank of Bengal.—See Bank of Bank of Bengal. Struerous of King's Anny Master of Mint before Select Committoe, 1870, on high price of boilloin Of Dr Kelly on relative value of gold and allverin England and foreign countries Of Sir J C. Melvill before Select Committee, 1853, extract from Common Average rates, Calcutta on London for 6 months' bills, and rate of discount, 1838 to 1856 Same continued, 1856 to 1868 Regulates shipments of sovereigns from Australia more than price of gold Supply of sovereigns to India governed by London exchange rate State of the cause of temporary success of notification of 1864 Effect on rate, of making gold legal tender with remarks Price of corrections how affected by state of, before and since 1853 Liniuence of on value; results not be confounded with price of gold Gold the best medium of and measure of value in large transactions Unumally low rate of influenced by France, Premain war Hate governed by cost of remittance and loss on specia abigment Exulting the rate of influenced by France, Premain war Hate governed by cost of remittance and loss on specia abigment Exulting the rate of influenced by France, Premain war Hate governed by cost of remittance and loss on specia abigment Exulting the rate of influenced by France, Premain without loss Exulting the state any rate to be taken for sovereigns without loss Exulting the state any rate to be taken for sovereigns without loss Exulting the state any rate to be taken for sovereigns without loss Exulting the state any rate to be taken for sovereigns without loss Exulting the state of the present of the premain sovereign to gold pieces, if not made legal tender Question of legal tender involves distanced on the sovereign available, and in railos of money Farra, M. H. H. A.—See Government of the sovereign available, sold as fancy prices London of the premain sold in formation scanly; reasons for praferin		744
Quotations for Australias gold at Calcula Draos Ma. T. Agra Agent, Bank of Bengal—See Blank of Bengal. Stronges of King's Assay Master of Maint before Select Committee, 1870, on high price of bellion Of Dr. Kelly on relative value of gold and silverin England and foreign countries Of Sir J C. Melvill before Select Committee, 1883, extract from Exchange Average rate, Calculate on London for Gonoths' bills, and rate of discount, 1838 to 1856 Seme continued, 1886 to 1808 Regulates shipments of sovereigns from Australia more than price of gold Supply of sovereigns to India governed by London exchange rate State of the cause of temporary success of notification of 1884 Effect on rate, of making gold legal tender with remarks Price of sovereigns how affected by state of, before and since 1863 Influence of on value; result not to be confounded with price of gold Gold the best medium of and measure of value in large transactions Unurusily low rate of influenced by France-Pransan war Hate governed by cost of remitiance and loss on specia shipment Expubrium of revenues and expenditure in India bound up with question of rate Expubrium of France-Pransan war Expubrium of France-Pransan war France, Mr. E D J merchant.—See Bark ov Bergal. Foodo, Mr. G to Government of Bombay 28th August 1868 Unsalte to state any rate to be taken for sovereigns without loss Same objection with regard to gold pieces, if not made legal tender Question of legal tender involves double standard? Food Grater, Permanent rate in prices a clear indication of fall in value of money France. An example of slight difference in values, changing the standard Food Grater, Permanent rate in prices a clear indication of fall in value of money France. An example of slight difference in values, changing the standard Food Grater, Permanent rate in prices a clear indication of fall in value of money France. An example of slight difference in values, changing the standard From Garter, Permanent rate in prices as clear indication of fall in value My brows W	DURLOF MR. H S -continued	ok
Droy Ma. T. Agra Agres, Bank of Bengal.—See Bark of Barks of Bridgers of King Agray Master of Mink before Select Committee, 1870, on high price of builden Of Br. A. Melvill before Select Committee, 1869, extract from Exchange Arex age rates, Calcutta on London for 0 months' bills, and rate of discount, 1838 to 1856 Beng continued to 1866 in 1868 Regulates shipments of sovereigns from Australia more than price of gold Supply of sovereigns to India governed by London exchange rate Bate of the cause of temporary success of notification of 1884 Effect on rate, of making gold legal tender with remarks Price of sovereigns to Select the select of the price of gold Gold the best medium of and measure of Valou in large transactions Unusually low rate of influenced by Foundary and the price of gold Gold the best medium of and measure of Valou in large transactions Unusually low rate of influenced by Foundary and the price of gold Gold the best medium of and measure of Valou on specia shipment Retorner—See Invoirs and Exporar. Erru, Min. E. D. J. merchank.—See Bark of Berkall. Frogo, Min. G. to Government of Bomby 23th August 1863 Unable to state any rate to be taken for sovereigns without loss Same objection with regard to gold pieces, if not made legal tender Question of legal tender involves double standard; deprended in value of money France. An example of sight difference in ralous, changing the standard Found Galler of the regard to gold pieces, if not made legal tender Foundary 1989 Subject difficult and information scanty; reasons for preferring sovereign to gold France, Min. W. E. Minste on memorals of Dombay Chamber of Commerces Would commence with rate of Re. 10.4 and not lower it without notice Blarket price unselve test of value; is we overeigns available, sold as fancy prices Effect of measure on paper currency; gold overvelned; it importations is desired Hence danger of sovereigns occumulating if measure do not succeed Mr Dethe andown and the second of the foundary and the second of trial Advan	Quotations of China leaf gold of 100 touch as Calcutta per total	-5
Bettinerges of King's Array Master of Mint before Select Committee, 1970, on high price of boilion Of Dr Kelly on relative value of gold and allverin England and foreign countries Of Sir J C. Melvill before Select Committee, 1859, extract from Exchange Average rates, Calcutta on London for 6 months' bills, and rate of discount, 1388 to 1856 Same continued, 1856 to 1868 Hegulaize shipments of sovereigns from Australia more than price of gold Supply of sovereigns to India governed by London exchange rate State of the cause of temporary success of notification of 1864 Effect on rate, of making gold legal tender with remarks Price of sovereigns how affected by state of, before and since 1853 Influence of on value; result not to be confounded with price of gold Gold the best medium of and measure of value in large transactions Unusually low rate of influenced by Franco-Prussian war Rate governed by cost of remittance and loss on specia shipment Excust. Min. E. D. J. merchant.—See Bark ov Barkalt. Erral, Min. E. D. J. merchant.—See Bark ov Barkalt. Erral, Min. E. D. J. merchant.—See Bark ov Barkalt. Erral, Min. E. D. J. merchant.—See Bark ov Barkalt. Fronts—See Minorias and Exporat. Erral, Min. E. D. J. merchant.—See Blark ov Barkalt. Found Gartine, Permanent of Rombay 23th August 1863 Unable to state any rate to be taken for sovereigns without loss Same objection with regard to gold pieces, if not made legal tender Question of legal tender involves double standard; Found Gartine, Permanent tiles in prices a clear indication of fall in value of money Farke, Min. H. H. L.—See Governova or Boxialt Farke, Min. W. E. Minate on memorals of Rombay Chamber of Commerce Would commence with rate of Ra. 10-4 and not lower it without notics Minket price unselve of sight difference in values, changing the standard Farke, Min. W. E. Minate on meantain of Rombay Chamber of Commerce Would commence with rate of Ra. 10-4 and not lower it without notics Minket price carbange of gold for silver sefest to ensure progress Ofter of free ex	Descriving T Ages Agent, Bank of Bengal.—Bos Barr of Bergal.	
boillon Of Dr Kelly on relative value of gold and aliverin England and foreign countries Of Sir J C. Melvill before Select Committee, 1859, extract from 1838 to 1856 Same continued, 1856 to 1868 Regulates abipments of sovereigns from Australia more than price of gold Supply of sovereigns to India governed by London exchange rate State of the cause of temporary success of notification of 1864 Effect on rate, of making gold legal tender with remarks Price of sovereigns how affected by state of, before and since 1853 Influence of on value; result not to be confounded with price of gold Gold the best medium of and measure of value in large transactions Unumally low rate of influenced by France-Pressian war Hate governed by cost of remitiance and loss on specia abipment Equilibrium of revenues and expenditure in India bound up with question of rate Expu. Min. E. D. J. merchank.—See Hark ov Burgall. Forgo, Min. G. to Government of Bombay 25th August 1868 Unable to sinte any rate to be taken for sovereigns without loss Same objection with regard to gold pieces, if not made legal tender Question of legal tender involver double standard; FOCO GLATER. Permenent tes in prices a clear indication of fall in value of money France, An example of slight difference in values, changing the standard FOCO GLATER. Permenent tes in prices a clear indication of fall in value of money France, An example of slight difference in values, changing the standard Forgat 1858 Sobject difficult and information scanby; reasons for preferring sovereign to gold Mr. Mc. E. Officiating Deputy Accountant General. Memorandsm on gold currency 8th August 1858 Sobject difficult and information scanby; reasons for preferring sovereign to gold Mr. Dickson a proposals Approva; free exchange of gold for silver seferit to ensure progress Office of free scalanges of gold for silver seferit to ensure progress Office of free scalanges of gold for silver seferit to ensure progress Office of free scalanges of gold in gold proper progress of the story Mr. Dickson	Expresses of King's Assay Master of Mint before Select Committee, 1870, on high price of	Æ.
Of Sir J C Mickelli before Select Committee, 1853, extract from Exchange Average rates, Calcutta on London for 6 months, bills, and rate of discount, 1838 to 1856 Same continued, 1856 to 1868 Regulates shipments of sovereigns from Australia more than price of gold Supply of sovereigns to India governed by London exchange rate State of the cause of temporary success of notification of 1864 Effect on rate, of making gold legal tender with remarks Price of sovereigns how affected by state of, before and since 1853 Influence of on value; result not to be confounded with price of gold Gold the best medium of and measure of value in large transactions Unumally low rate of influenced by France-Pressian war Hate governed by cost of remitiance and loss on specia abigment Equilibrium of revenues and expenditure in India bound up with question of rate Expu. Min. E. D. J. merchank.—See Hark ov Burgall. Forgo, Min. G. to Government of Bombay 25th August 1868 Unable to sinte any rate to be taken for sovereigns without loss Same objection with regard to gold pieces, if not made legal tender Question of legal tender involver double standard; FOOD GRATER. Fernment rise in prices a clear indication of fall in value of money Frankon, An example of slight difference in values, changing the standard Frankon, An example of slight difference in values, changing the standard Frankon, An example of slight difference in values, changing the standard Frankon, A. R. H. B. L.—See Governor or Bounay. Frank, M. W. R. Minute on memorial of Bombay Chamber of Commerce Would commence with rate of Rs. 10.4 and not lower it without notice Market price unselfs test of rabe; few sovereigns available, and as fancy prices Effect of measure on paper currency; gold overvained; hard to cash notes Market price unselfs test of rabe; few sovereigns are available, and as fancy prices Market price unselfs test of rabe; few sovereigns are propress Office of free scalanges of gold for silver sefert to ensure progress Office of free scal	hallion	40
Exchange Average rates, Calcritic on London for 6 months bills, and rate of discounts 1838 to 1856 Same continued, 1856 to 1898 Regulates alipments of sovereigns from Australia more than price of gold Supply of sovereigns to India governed by London exchange rate State of the cause of temporary success of modification of 1854 Eight or rate, of making gold legs tendor with remeable Price of making gold legs tendor with remeable Price of the cause of temporary success of modification of 1853 However of the cause of temporary success of modification of 1853 However of the cause of temporary success of modification of 1853 However of the cause of temporary success of modification of 1853 However of the cause of temporary success of modification of 1853 However of the cause of temporary success of modification of 1853 However of the cause of temporary success of temporary success of the cause o	Of Dr Helly on relative value of gold and allyer in England and foreign countries	
1838 to 1856 Same continued, 1856 to 1808 Regulates shipments of sovereigns from Australia more than price of gold Supply of sovereigns to India governed by London exchange rate State of the cause of temporary success of notification of 1864 Effect on rate, of making gold legal tender with remarks Price of sovereigns how affected by state of, before and since 1853 Influence of on value; result not to be confounded with price of gold Gold the best medium of and measure of value in large transactions Unumally low rate of influenced by France-Pressian war Rate governed by cost of remitiance and loss on specia shipment Equilibrium of revenues and expenditure in India bound up with question of rate Extra Min R. D. J. merchank.—See Hark ov Brigal. Forgo, Min. G. to Government of Bombay 28th August 1888 Usable to sinte any rate to be taken for sovereigns without loss Same objection with regard to gold pieces, if not made legal tender Question of legal tender involves double standard; depression state Found Extra. Permacent rate in prices a clear indication of fall in value of money Frankor. An example of slight difference in values, changing the standard Frank W. R. Minute on memorial of Bombay Chamber of Commerce Gay Miz. E. Officiating Deputy Accountant General. Memorandam on gold currency 8th August 1858 Sobject difficult and information scanby; reasons for preferring sovereign to gold Jacks price unselfs test of rates; few sovereigns available, sold as fancy prices Effect of measures on paper currency; gold overvained; hard to cash notes Market price unselfs test of rates; few sovereigns available, sold as fancy prices Effect of measures on paper currency; gold overvained; hard to cash notes Approva; if the stange of gold for silver selfs to ensure progress Office of few exclusings one to be basilly revoked, if importation is desired Mr. Dickson a proposals Approva; franken, sold over its whom to cash notes Approva; franken, sold over its whom to cash notes Mr. Dickson approve of th	Of Sir J C, Melvill before Select Committee, 1853, satract from	
Beme continued, 1856 to 1806 Regulates shipments of sovereigns from Australia more than price of gold Supply of sovereigns to India governed by London exchange rate State of the cause of temporary success of notification of 1804 Effect on rate, of making gold legal tender with remarks Price of sovereigns how affected by state of, before and since 1853 Influence of on value; result not to be confounded with price of gold Gold the best medium of and measure of value in large transactions Unurnally low rate of influenced by Franco-Prussian war Rate governed by cost of remitiance and loss on specia shipment Equilibrium of revenue and expenditure in India bound up with question of rate Excus, Min. E. D. J. merchant.—See Bark ov Bracal. Excus, Min. E. D. J. merchant.—See Bark ov Bracal. Excus, Min. E. D. J. merchant.—See Bark ov Bracal. Excus, Min. E. D. J. merchant.—See Bark ov Bracal. Excus, Min. E. D. J. merchant.—See Bark ov Bracal. Found of legal tender involves double standard; deprecated at the control of price of the out-made legal tender Question of legal tender involves double standard; deprecates latter Found cut crils in operation of a double standard; deprecates latter Found cut crils in operation of a double standard; deprecates and the out- Faure, Min. H. H. L.—See Governove or Boxelay Faure, Min. W. E. Minute on memorial of Bombay Chamber of Commerce Gay Min. E. Officiating Depoty Accountant General. Memoranism on gold currency 8th August 1938 Subject difficult and information scanly; reasons for preferring sovereign to gold pieces Would commence with rate of Rs. 10-4 and not lower it without notice Market price unselve state of wate; few sovereigns available, sold as fancy prices Effect of measure on paper currency; gold overvilued; hard to cash notice Advantagers and drawbacks, if price of sovereigns available, sold affined price But privilege withdrawn after California and Australian discoveries Mr. Delchon shows risk to be sensity procedult, if importation is desired Hence danger of sovereigns ac		. 20°
Regulates shipments of sovereigns from Australia more than price of gold Supply of sovereigns to India governed by London exchange rate 8tate of the cause of temporary success of notification of 1864 Effect on rate, of making gold legal tender with remarks Price of sovereigns how affected by state of, before and since 1853 Influence of on value; result not to be confounded with price of gold Gold the best medium of and measure of value in large transactions Unumally low rate of influenced by France-Pressian war Hate governed by cost of remitiance and loss on specia shipment Equilibrium of revenues and expenditure in India bound up with question of rate Expu. Min. E. D. J. merchank.—See Hark ov Burgall. FORGO, Min. G. to Government of Bombay 28th August 1888 Unable to sinte any rate to be taken for sovereigns without loss Same objection with regard to gold pieces, if not made legal tender Question of legal tender involver double standard; FORGO GLARER. Permenent rate in prices a clear indication of fall in value of money Frankor. An example of slight difference in values, changing the standard Frankor. An example of slight difference in values, changing the standard Frankor. An example of slight difference in values, changing the standard Frankor. An example of slight difference in values, changing the standard Frankor. An example of slight difference in values, changing the standard Frankor. An example of slight difference in values, changing the standard Frankor. An example of slight difference in values, changing the standard Frankor. An example of slight difference in values, changing the standard Frankor. An example of slight difference in values, changing the standard Frankor. An example of slight difference in values, changing the standard Frankor. An example of slight difference in values, changing the standard Frankor. An example of slight difference in values, changing the standard Frankor. An example of slight difference in values, changing the standard Frankor. An example o		89
Supply of soversigns to India governed by London exchange rate State of the cause of temporary success of notification of 1834 Effect on rate, of making gold legal tender with remarks Price of sovereigns how affected by state of, bofore and since 1853 Influence of on value; result not to be confounded with price of gold Gold the best medium of and measure of Value in large transactions Unusually low rate of influenced by Ferneco-Pressian war Rate governed by cost of remittance and loss one specia shipment Equilibrium of revenue and expenditure in India bound up with question of ratio Extension.—See Informs and Expons. Erral, Min. E. D. J. merchant.—See Bark ov Barkall. Erral, Min. E. D. J. merchant.—See Bark ov Barkall. Erral, Min. E. D. J. merchant.—See Bark ov Barkall. Fronce, Sin. G. to Government of Bombay 23th August 1863 Unable to state any rate to be taken for sovereigns without loss Same objection with regard to gold pieces, if not made legal tender Question of legal tender involves double standard; deprenous latter Found out errils in operation of a double standard; Found Ratter, Permanent ties in prices a clear indication of fall in value of money Farke, Min. H. H. L.—See Governous of Bounay Farke, Min. W. E. Minste on memorals of Bombay Chamber of Commerce Gly Min. E. Officiating Deporty Accountant General. Memoranism on gold curroncy 8th August 1938 Subject difficult and information scanty; reasons for preferring sovereign to gold pieces Would commence with rate of Ra. 10-4 and not lower it without notice Min Debts price careful sets of value; few sovereigns available, sold as fancy prices Effect of measure on paper currency; gold overvined; it importation is desired Hence danger of sovereigns accumulating if mensure do not succeed Mr. Debts if any measure for a gold istandard can be an imporement Other of few acclimages out to be basilly revoked, if importation is desired Hence danger of sovereigns accumulating if mensure do not succeed Mr. Debts if any measure for a gold s	Remlates shipments of sovereigns from Australia more than price of gold	42
State of the cause of temporary success of notification of 1884 Effect on rate, of making gold legal tender with remarks Price of sorrerigms how affected by state of, before and since 1863 Influence of on value; result not to be confounded with price of gold Gold the best medium of and measure of value in large transactions Unusually low rate of influenced by France-Pressian war Hate governed by cost of remitiance and loss on specia abigment Equilibrium of revenues and expenditure in India bound up with question of rate Extro. Min. E. D. J. merchant.—See Bark ov Bragal. Forgo, Mr. G. to Government of Bombay 28th August 1868 Unable to state any rate to be taken for sovereigms without loss Same objection with regard to gold pieces, if not made legal tender Question of legal tender involves double standard; depressents latter Food Graters. Permanent rise in prices a clear indication of fall in value of money France. An example of slight difference in values, changing the standard France, Mr. H. H. L.—See Governor or Bound; France, Mr. W. E. Mineste on memorial of Bombay Chamber of Commerce Gly Mr. E. Officiating Depaty Accountant General. Memoranisms on gold currency 8th August 1858 Subject difficult and information scanty; reasons for preferring sovereign to gold piscos Would commence with rate of Re. 10-4 and not lower it without notice Market price unsafe test of value; few sovereigns available, and as fancy prices Effect of measure on paper currency; gold overvalued; hard to cash notes Andro Mr. Dickson a proposals Approva; free exchanges of gold for silver safest to ensure progress Office of five exchanges of gold for silver safest to ensure progress Office of five exchanges of gold for silver safest to ensure not sacceod Mr. Dickson a proposals Approva; free cachange of gold for silver part and the oran notes But privilege without one of the being preferred to salvers Was received after 11th November 1840 by officers in charge of troauries But privilege without one of the silv	Supply of sovereigns to India governed by London exchange rate	
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Influence of on value; result not to be confounded with price of gold Gold the best medium of and measure of value in large transactions Unusually low rate of influenced by Fernaco-Prussian war Rate governed by cost of remitiance and loss on specia shipmont Equilibrium of revenue and expenditure in India bound up with question of ratio Extension of revenue and expenditure in India bound up with question of ratio Extension of Real Reports. Eval, Min. E. D. J. merchant.—See Bark ov Barkal. Front, Min. E. D. J. merchant.—See Bark ov Barkal. Front, G. G. Government of Bombay 23th August 1863 Unable to state any rate to be taken for sovereigns without loss Same objection with regard to gold pieces, if not made legal tender Question of legal tender involves double standard; deprenatos latter Foints out crift in operation of a double standard? Found Extens. Permanent ties in prices a clear indication of fall in value of money Farke, Ma. H. H. L.—See Governous or Bonnay Farke, Ma. W. E. Minste on memorals of Emplay Chamber of Commerce Gly Ma. E. Officiating Depoty Accountant General. Memoranism on gold curroncy RATER, Ma. W. E. Minste on memorals of Emplay Subject difficult and information scanly; reasons for praferring sovereign to gold pieces. If no Market price unselves that of value; few sovereigns available, sold as fancy prices Effect of measure on paper currency; gold overwined; hard to cash notes Angero of Mr. Dickose a proposals Approves; free exchange of gold for silver select to ensure progress Office of free exchange of gold for silver select to ensure progress Office of free exchange of gold for silver select to ensure progress Office of free exchange of gold for silver select to ensure progress Office of free exchange of gold for silver select to ensure progress Office of free exchange of gold for silver select to ensure of trial Advantagers and drawbacks, if price of sovereigns guaranteed in India Doubts if any measure for gold is standard can be an improvement Office of free exchan	Pulse of manufacture how affected by state of before and since 1859	47
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Hate governed by cost of remitance and loss on specia abipmont Equilibrium of revenus and expenditure in India bound on with question of rato Extens.—See Barours and Expenders Extens. And E. D. J. merchant.—See Barour Star of Star	Gold the best medium of and measure of Value in large transactions	5,
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ETOPETA.—See IMPORTS and ETPORTS. From, M. E. D. J. merchant.—See Bark ov Bregal. Fougo, Mr. G. to Government of Bombay 28th August 1888 Usable to state any rate to be taken for povereigns without loss. Same objection with regard to gold pieces, if not made legal tender. Question of legal tender involves double standard 1 depresents latter. Found garter. Permanent rise in potential of a double standard. Found garter. Permanent rise in potential of standard. Found garter. Permanent rise in potential of Bombay Chamber of Commerce. Farrer. Mr. H. H. L.—See Governor or Boung. Woodle commence with rate of Ra. 10.4 and not lower it without notice. Mr. Market price unsafe test of value; few soveredgas available, and as fancy prices. Effect of measure on paper currency; gold overvalued; hard to cash notes. Approva; free exclanges of gold for silver settat to ensure progress. Office of free exclanges of gold for silver settat to ensure progress. Office of free exclusings exclusive the setter of the secure of the being setter or because of the being preferred to selected. Mr. Dickson shows risk to be small; large believes the same to see induced in India Doubts if any measure for a gold standard can be an importante of india Gour Facility of hocarding t	Rate governed by cost of remittance and loss on specia ahipment	
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Frence, Mr. W. E. Mineta on monorial of Bombay Chamber of Commerce Gay Mr. E. Officiating Deptcy Accountant General. Memoreaisms on gold curroncy 8th August 1938 Subject difficult and information scanty; reasons for preferring sovereign to gold pieces Would commence with rate of Ra. 10-4 and not lower it without notice Market price unselfe test of value; few sovereigns available, sold as fancy prices Effect of measure on paper currency; gold overvalued; hard to cash notes Andreas on Mr. Dickson a proposals Approva; free exchanges of gold for silver sefest to ensure progress Office of free exchange of gold for silver sefest to ensure progress Office of free exchange of gold for silver sefest to ensure progress Office of free exchange of gold for silver sefest to ensure progress Office of free exchange of gold for silver sefest to ensure progress Office of free exchange of gold for silver sefest to ensure progress Office of free exchange of gold for silver sefest to ensure progress Office of free exchange of gold for silver sefest to ensure progress Office of free exchange of gold for silver sefest to ensure progress Office of free exchange of gold for silver sefest to ensure progress Office of free exchange of gold for silver sefest to ensure progress Office of free exchange of gold for silver sefest to ensure succeed Mr. Dickson shows risk to be small; large believes flavored in favor of trial Doubts if any measure for a gold standard can be an improvement University of the free of sefest of the preferred to silver Was received after 11th November 1840 by officers in charge of treaturies It boards, wend liberate the effect of the officers in the preferred to British calling of the countries Leave translation of first silver preferred to British callings Average price of bars, 16 touch, in Bombay 1835 to 1863, Appendix D Production of lace California, greater than of allere Mode in which it reaches india, deranging markets Superior an integer of subsect preferred to British countries Lead to prove pulse of miner	FRANCE. An example of slight difference in values, changing the standard	20
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would commence with rate of Ra. 10.4 and not lower it without notices Market price unselfe test of value; few covereigns available, and as fancy prices Effect of measure on paper currency; gold overvalued; hard to cash notice Asia co Mr. Dickson a proposals Approva; free exchange of gold for silver sefest to ensure progress Office of free exchange of gold for silver sefest to ensure progress Office of free exchange of gold for silver sefest to ensure progress Office of free exchange of gold for silver sefest to ensure progress Office of free exchange of gold for silver sefest to ensure progress Office of free exchange of gold for silver sefest to ensure progress Office of free exchange of the being market on the sure of the did Hence danger of sovereigns accumulating if measure do not succeed Mr. Dickson shows risk to be small; large belances in favor of trial Advantages and drawbacks, if price of sorverign gouranteed in India Doubts if any measure for a gold standard can be an improvement Office of Selfilly of hooring the cause of its being preferred to silver Was received after 11th November 1840 by officers in charge of treasuries But privilege withsirew after California, preferred to silver Was received after 11th November 1840 by officers in charge of treasuries It hooring well diberate the effect of the contract of the self-contract of the self-c		
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Effect of measure on paper currency; gold overwheel; hard to each notes Notes on Mr Dickose a proposals Approves; free exchange of gold for silver sefest to ensure progress Office of free exchange of gold for silver sefest to ensure progress Office of free exchange out to be bastily revokel, if importation is desired Hence danger of sovereigns accumulating if measure do not succeed Mr Dickose shows risk to be small i large balances in favor of trial Advantages and drawbacks, if price of sovereigns generalised in India Doubts if any measure for a gold standard can be an improvement Gold Facility of hearding the cause of its being preferred to silver Was received after 11th November 1840 by officers in charge of treasuries But privilegs withdrawn after Californian and Australian discoveries If hearded, wental liberate the silver now boarded Less were and tear of, one advantage o or liver I had also California discovery compared with silver 5 per cent. Importations of last 6 years to 1803-03 Told of a matter State, or effect on Dittible calongs Average price of bars, by touch, in Bombay 1858 to 1803, Appendix D Production of public left only Descuber 1858 to 1803, Appendix D Production of public left only Descuber 1858 to 1803, Appendix D Production of public of 32 carsts, aboxing average per or, of 23 carsts, App. P Production of Inde California, prestor than of silver Mode in which it reaches india, deranging markets Supering at intage of summed by in fact of larger value in small bulk 1 get currency or muisol in Bombay in face of discouragements Levid Li cpx is pulson, gold the preper meal for rich countries levid ton of acquery or muisol to Bombay in face of discouragements Levid Li cpx is pulson, gold the preper meal for rich countries levid ton of acquery or building entended to Madras and Bombay May 1844 T a prop sect twist the best process of the sected at a malts	Would commence with rate of Rs. 10-4 and not lower it without notice	
Approva; free exchange of gold for silver sefest to ensure progress. Office of free exchange of gold for silver sefest to ensure progress. Office of free exchange of gold for silver sefest to ensure progress. Office of free exchange ont to be bastily revoked, if importation is desired. Hence danger of sovereigns accumulating if measure do not sacceed. Mr Dichaon shows risk to be small; large balances in favor of trial. Advantages and drawbacks, if price of sovereigns gouranced in India. Doubts if any measure for a gold standard can be an improvement. GOLD Facility of hearing the cause of its being preferred to silves. Was received after 11th Norember 1840 by officers in charge of treasuries. But privilege withdraws after Californian and Australian discoveries. If hearind, wends liberate the effect now boarded. Less wear and tear of, one advantage or all tree. I all since Californian discovery compared with alter 5 per cent. Importations of the 8 f years to 1863-33. The only efficient hats for a peper currency for India. Coincel to native Sites, preferred to British callings. Average price of bars, 16 touch, in Bombay 1835 to 1863, Appendix D. 1. Quotations of gold leaf only December 1859 is February 1861 vpendix F. 1. Production of lace California, greater than of allere Mode in which it reaches india, deranging markets Superior ad natage of sammed up in fact of large value in small bulk. 1. get currency or multool in Bombay in face of discouragements Lord Li cpx is pulse, gold the preper metal for rich countries. India tion of aigueurage in buillow extended to Madras and Bombay May 1844. The propression of the bulled by the bulled of the preper water of at all and the preper water of the preper water of the preper water of the preper desired at anish and the preper water of the preper wate		*
Approtos; free exchange of gold for silver sefest to ensure progress Office of free exchange out to be bastily revoked, if importation is desired Hence danger of sovereigns accumulating if measure do not succeed Mr Dickson shows risk to be sensil; large balances in farce of trid. Advantages and drawbacks, if price of sovereigns gnaraneed in India Doubts if any measure for a gold standard can be an improvement Gold Facility of hoording the cance of its being preferred to silve treatment Was received after 11th November 1840 by officers in charge of treatment Was received after 11th November 1840 by officers in charge of treatment If hoarded, wends liberate the effect now boarded. Les wear and tear of, one advantage or liver — I all aloes Californian discovery compared with alver 5 per cent. Importations of last 6 5 years to 1803-33 The only sefficient basis for a paper currency for India Colonel in native States, preferred to British colongs Average price of bars, 16 touch, in Bombay 18-35 to 1803, Appendix D Productions of gold leaf only December 18-35 is February 18-61 appendix I Price at Calculta per tolah of 23 cursts, aboxing average per or, of 23 carsts, App. I Production of ince California, greater than of aller Mode in which it reaches India, deranging markets Superior at natage of summed up in fact of large value in small bulk 1 get currency or united in Bombay in face of discouragements Lord Li epx k a plaine, gold the preper metal for rich countries levels ton of acjuorage in bellion extended to Madras and Bombay May 1844 T in prep sect which I think should be received at mallar.	Acts on Mr. Dickson a proposals	65
Office of free exclainings not to be basilly revoked, if importation is desired linear danger of sovereigns accumulating if measure do not succeed "Mr Dichaon shows risk to be small; large balances in favor of trial Advantages and drawbacks, if price of sovereigns gournabeed in India Doubts if any measure for a gold standard can be an improvement GOLD Facility of hearinging the canse of its being preferred to silvar was received after 11th November 1840 by officers in charge of treasuries. But privilege withdraws after Californian and Anatralian discoveries "It hearded, wend liberate the effect now bearded." Less wear and tear of, one advantage of a liver "stall aince Californian discovery compared with alver 5 per cent. Importations of task 6 years to 1863-33 The only efficient hats for a paper currency for India Coincel to native Sites, preferred to British callings "Average price of bars, 16 touch, in Bombay 1836 to 1863, Appendix D. "It Quotations of gold leaf only December 1859 is February 1861 vapendix I Price at Calcutta per tolks of 23 carsts, aboxing average per or. of 23 carsts, App. P I Production of lace California, greater than of after Models in which it reaches india, deranging markets Superior at natage of summed up in fact of large value in small bulk . I got correctly or makes of the proper metal for rich countries . It local it epox is pulse, gold the proper metal for rich countries . It local it epox is pulse, gold the proper metal for rich countries . It local it into of aigurous on builds extended to Madras and Bombay May 1844 To a prop sect the which tolline actended to Madras and Bombay May 1844 To a prop sect the which tolline settended to Madras and Bombay May 1844	Approves a free exchange of gold for silver safest to ensure progress	
Mr Dichain above risk to be small; large balances in favor of trial Advantages and drawbacks, if price of sorreign guaranteed in India Doubts if any measure for a gold standard can be an improvement GOLD Facility of hearing the cause of its being preferred to silver Was received after 11th November 1840 by officers in charge of treasuries But privilege withdraws after Californian and Anatralian discoveries If boarded, weeld liberate the effect more boarded. Less wear and tear of, one advantage or rilver Fall since Californian discovery compared with alver 5 per cent. Importations of test 6 years to 1863-33 The only efficient basis for a paper currency for India Coincel to native Sixtes, preferred to British callings Average price of bars, 161 touch, in Bombay 1835 to 1863, Appendix D 1. Production of fuel leaf only December 1859 is Perburary 1861 vapendix I 1. Production of Inde California, greater than of alver Mode in which it reaches india, deranging markets Superior ad natage of sammed up in fact of large value in small bulk 1. get currency or multool in Bombay 18 fee of discouragements Lord Li epx is pulse, gold the proper metal for rich countries Lord Li epx is pulse, gold the proper metal for rich countries Lord at two of a ignorage in buillow extended to Madras and Bombay May 1844 T is prepared to which India should be received at a milate	Offer of free exchange not to be hastily revoked, if importation is desired	
Advantages and drawbacks, if price of sororeigns gouranheed in India Doubts if any measure for a gold standard can be an improvement Gold Facility of hearding the cause of its bring preferred to silvar Was received after 11th November 1840 by officers in charge of treasuries But privilege withdrawn after Californian and Anatralian discoveries Int porticity with liberate the silver now boarded. Less were and tear of, one advantage o er liver I had also Californian discovery compared with alter 5 per cent. Importations of last 6 years to 1863-63 The cody afficient balls for a paper currency for India Coined in native States, preferred to British coinage Average price of bars, 101 touch, in Bombay 18-3 to 1863, Appendix D Quotations of gold leaf only December 18-35 to 1863, Appendix D Price at Calcutta per tolks of 23 carats, aboaing average per or, of 23 carats, App. P I reduction of ince California, greater than of allver Mode in which it reaches India, deranging markets Superior at unage of summed up in fact of large value in small bulk 1 get currency or mutod in Bombay in face of discouragements Lord Li erpx is pulse, gold the preper metal for rich countries Lord Li erpx is pulse, gold the preper metal for rich countries Lord Li erpx is pulse, gold the preper metal for rich countries Lord Li erpx is pulse, gold the preper metal for rich countries		*
Doubts if any measure for a gold standard can be an improvement GOLD Facility of hearining the canse of its being preferred to silver Was received after 11th November 1840 by officers in charge of treasuries But privilege withdraw after Californian and Acatralian discoveries If hearded, wends liberate the effect now bearded Less wear and tear of, one advantage of a liver is all since Californian discovery compared with after 5 per cent. Importations of task 6 years to 1863-43 The only efficient hats for a paper currency for India Coined to native Sistes, preferred to British calongs Average price of bars, 16 touch, in Bombay 1853 to 1863, Appendix D Vertage price of bars, 16 touch, in Bombay 1853 to 1863, Appendix D Price at Calcutta per tolah of 23 carsts, abouting average per or, of 23 carsts, App. P Production of Inde California, greater than of after Mode in which it reaches india, deranging markets Superior at natage of summed up in fact of large value in small bulk I got correctly or multool in Bombay in face of discouragements Levil Li cynk is pulse, gold the proper metal for rich countries Levil Li cynk is pulse, gold the proper metal for rich countries Levil Li cynk is pulse, gold the proper metal for rich countries Levil Li cynk is pulse, gold the proper metal for rich countries Levil Li cynk is pulse, gold the proper metal for rich countries Levil Li cynk is pulse, gold the proper metal for rich countries Levil Li cynk is pulse, gold the proper metal for rich countries Levil Li cynk is pulse, gold the proper metal for rich countries Levil Li cynk is pulse, gold the scool of decouragements Levil Li cynk is pulse, gold the scool of decouragements Levil Li cynk is pulse, gold the scool of decouragements	Mr Diction shows risk to be small; large balances in favor of trial	- 4
Gold Facility of hearding the cause of its bring preferred to altra: Was received after 11th Norember 1840 by officers in charge of treasuries But privilege withdrawn after Californian and Anatralian discoveries It hearded, wend liberate the silver new bearded. Less were and tear of, one advantage o er liver I hal aliance Californian discovery compared with alter: 5 per cent. Importations of last 6 years to 1863-53 The cody afficient bails for a paper currency for Italia Coincel in mattre States, preferred to British coinage Average price of bars, 161 touch, in Bombay 18-3 to 1863, Appendix D Questations of gold leaf only December 18-93 to Pedurary 1864 appendix F Price at Calcutta per tolks of 23 carata, aboaing average per or, of 23 carata, App. P I Podnetion of lace California, greater than of allver Mode in which it reaches India, deranging markets Superior at uning of summed up in fact of large value in small bulk 1 get currency or muteod in Bombay in face of discouragements Lord Li cryx is pulse, gold the prefer metal for rich countries Lord Li cryx is pulse, gold the prefer metal for rich countries Lord Li cryx is pulse, gold the prefer metal for rich countries Lord Li cryx is pulse, gold the prefer metal for rich countries Lord Li cryx is pulse, gold the scoot of decouragements Lord Li cryx is pulse, gold the prefer metal for rich countries Lord Li cryx is pulse, gold the scoot of decouragements Lord Li cryx is pulse, gold the prefer metal for rich countries Lord Li cryx is pulse, gold the scoot of decouragements Lord Li cryx is pulse, gold the scoot of decouragements Lord Li cryx is pulse, gold the scoot of decouragements Lord Li cryx is pulse, gold the scoot of decouragements Lord Li cryx is pulse, gold the scoot of decouragements	Doubts if any measure for a mult standard can be an improvement	
But privilege withdrawn after Californian and Acatralian discoveries If hourhold, would liberate the silver now hourhold. Less were and tear of, one advantage o er liver I hal alsoe Californian discovery compared with alter 5 per cent. Importations of last 6 years to 1863-53 The cody afficient bails for a paper currency for Italia Coincel in native States, preferred to British coinage Average price of bars, 100 touch, in Bombay 18-30 to 1863, Appendix D Quotations of gold leaf only December 18-30 is Pedruary 18-61 appendix F Price at Calcutta per tolks of 23 carata, abouting average per or, of 23 carata, App. P Production of ince California, greater than of allver Mode in which it reaches India, deranging markets Superior at usage of summed up in fact of large value in small bulk 1 get currency or mutod in Bombay in face of discouragements Lord Li erpx is pulse, gold the preper metal for rich countries Lord Li erpx is pulse, gold the preper metal for rich countries Lord ti erpx is pulse, gold the preper metal for rich countries Lord ti erpx is pulse, gold the species of the summary of the pression of the press	GOLD Facility of hoarding the cause of its being preferred to silver	- ∫
If boardod, weald liberate the eliver now boarded Less wear and tear of, one advantage or all liver. It is a listed californian discovery compared with all ref. Importations of last 6 years to 1863-33 The only efficient basis for a paper currency for Italia. Coinced in native Sites, preferred to British enlarge. Average price of bars, 16 touch, in Bombay 18.9 to 1863, Appendix D 1. Quotations of gold leaf only December 18.93 to 1863, Appendix D 1. Price at Calcutta per tolks of 23 carsts, about 90 arrenge per or. of 23 carsts, App. P. 1. Production of lace California, greater than of all very Mode in which it reaches india, deranging markets Superior at natage of summed up in fact of large value in small bulk. 1. get currency errunized in Bombay in face of discouragements Lord Li epx is pulse, gold the proper metal for rich countries Lord at teny of a pulse, gold the proper metal for rich countries Levi at the order of the proper metal for rich countries Levi at the order of the proper metal for rich countries Levi at the order of the proper metal for rich countries Levi at the order of the proper metal for rich countries Levi at the order of the proper metal for rich countries Levi at the order of the proper metal for rich countries Levi at the order of the proper metal for rich countries Levi at the order of the proper metal for rich countries Levi at the order of the proper metal for rich countries Levi at the order of the proper metal for rich countries Levi at the order of the proper metal for rich countries Levi at the order of the proper metal for rich countries Levi at the order of	is a processor after Tittl Wolferroes, 10-80 by Officers in Curicia of reconstruction	1
Less were and tear of, one advantage o er liver hal since Californian discovery compared with allier 5 per cent. Importations of last 6 years to 1863-03. The only self-cent basis for a peper currency for Italia Colonel in native Sites, preferred to British enlarge Average price of bars, 08 touch, in Bombay 1853 to 1863, Appendix D Quotations of gold leaf only December 1853 is February 1864 hypendix F Price at Calcutta per tolks of 23 carsts, abouting average per or, of 23 carsts, App. P Production of lace California, greater than of allver Mode in which it reaches India, deranging markets Superior at untage of summed up in fact of large value in small bulk 1 get currency or united in Bombay in face of discouragements Lord Li erpx is pulse, gold the preper metal for rich countries Lord Li erpx is pulse, gold the preper metal for rich countries Lord at one of aiguorage in buillon extended to Madras and Bombay May 1844 T is prep sed twist bushed be received at minds.		ĭ
hall since Californian discovery compared with allers 5 per cent. Importations of last 6 years to 1863-33 The only efficient basis for a paper currency for Italia Coincel to native Sittes, preferred to Britthe clange Average price of bars, 18 touch, in Bombay 18.9 to 1863, Appendix D Quotations of gold leef only December 18.94 to 1863, Appendix D Price at Calcuta per tolks of 23 carats, aboulgs average per or, of 23 carats, App. P Production of lace California, greater than of silver Mode in which it reaches india, deranging markets Superior at native of smanned up in fact of large value in annual bulk I get currency ormulated in Bombay 18 face of discouragements Lord Li epx is pulson, gold the preper mean for rich countries levid ton of a ignorage in bullion extended to Madras and Bombay May 1844 Tas prop seed twist thought be received at malate.		î
Importations of last 8 years to 1863-03 The only afficient basis for a peper currency for Italia Coincel in native States, preferred to British enlarge 1 Quotations of guid leaf only December 18.08 to 1803, Appendix D 1 Quotations of guid leaf only December 18.08 to February 1861 Appendix F 1 Price at Calculta per tolds of 23 caraits, aboration average per or. of 23 caraits, App. P 1 Production of lace Californix, greater than of aliver Mosts in which it reaches India, deranging markets Superior at untage of summed up in fact of large value in small bulk 1 get currency or united in Hombay in face of discouragements Lord Li cryat is pulsa, gold the proper metal for rich countries Lord Li cryat is pulsa, gold the proper united for rich countries Levin the order of the proper metal for rich countries Levin the order of the proper metal for rich countries Levin the order of the proper of the order of the o	rall since Californian discovery compared with allver 5 per cent.	2
Coincil fo mattre States, preferred to British enhage 1 Average price of bars, bit touch, in Bombay 18.58 to 1863, Appendix D Quotations of gold lesf only December 18.63 to February 1866 * Appendix F Price at Calcutta per tolds of 23 carsts, abouting average per oz. of 23 carsts, App. P 1 Production of lace California, greater than of allver Mode in which it reaches India, deranging markets Superior at untage of summed up in fact of large value in small bulk 1 get currency or united in Hombay in face of discouragements Lord Li crpx is pulses, gold the preper metal for rich countries Lord Li crpx is pulse, gold the preper metal for rich countries Led ton of alguerage in bullion extended to Madras and Bombay May 1844 T is prep sed twist bullion that should be received at minds.		0
Average price of bars, let touch, in Bombay 18,8 to 1803, Appendix D. Quotations of guid left only December 18,9 to February 1804. Appendix F. Price at Calculta per tolah of 23 cerats, aboaing average per or, of 23 carats, App. P. Production of line California, perstar than of allere. Mode in which it reaches india, deranging markets. Superior at natage of smanned put in fact of larger value in small bulk. I get currency or united in Hombay in face of discouragements. Lord Li epx is pulson, gold the proper meal for rich countries. Isolate ton of a ignorage in bullion extended to Madras and Bombay May 1844. The price with the little should be received at malate.		
Quotations of gold leaf only December 18,8 to February 1861 Appendix P. Price at Calculta per tolah of 23 carats, abovelog average per oz. of 23 carats, App. P. Production of lines California, greater than of aliver Moda in which it reaches India, deranging markets Superior at utage of summed up in fact of large value in small bulk 1 get currency or united in Hombay in face of discouragements Lord Li erpx is pulsa, gold the preper metal for rich countries Lord at tempt is pulsa, gold the preper metal for rich countries Ledu ton of alguerage in bullion extended to Madras and Hombay May 1844 The proposed to which India, should be received at minds.	Coined in native States, preferred to British coinage	
Price at Calculta per totals of 23 carsts, abouing average per or, of 23 carsts, App. P Production of line California, greater than of silver Mode in which it reaches india, deranging markets Superior at integer of smanned up in fact of larger value in small bulk . I I got currency or muited in Hombay in face of discouragements . It Lord Li epx is pulson, gold the preper meal for rich countries Isola tion of a ignorage in bullion extended to Madras and Hombay May 1844 T is prop sect twist think isolable be received at minds.		11
Production of lace California, greater than of alter Mole is which it reaches india, deranging markets Superior ad utage of summed up in fact of large value in small bulk I got currency or united in Bombay in face of discouragements Lord Li cryx is plakes, gold the proper metal for rich countries Lord the open is plakes, gold the proper metal for rich countries Lord then of aiguorage in buildon extended to Madras and Bombay May 1844 The prop soci t which I builds absorbly be received at minds.	Price at Calculta per tolub of 23 carata, aboutor average per on of 23 carata, App. P	11
Mode in which it reaches India, deranging markets Superior ad utage of summed up in fact of large value in small bulk 1 get correcte or multool in Bombey in face of discouragements Lord Li epx is pholos, gold the proper metal for rich countries lord a time of a signorage in bullion extended to Madras and Bombey May 1844 The prop sect twist bullion extended to Madras and Bombey May 1844 The prop sect twist bullion standed to receive dust milate.	Production of lines California, greater than of allver	
I get currency or unlead in Bombay in face of discouragements Lord Li erpx's plains, gold the proper meal for rich countries Lord then of aiguorage in bullion extended to Madras and Bombay May 1814 The proposed the bid bullion should be received at mints	Mods in which it reaches Indix, deranging markets	. 10
Lord Li epxls pinkus, gold the proper metal for rich countries Ledu ton of a ignoring a buillon extended to Marias and Bombay May 1844 The proposed the bid. I collision extended to Marias and Bombay May 1844	Superior ad utage of summed up in fact of large value in small bulk	
locks then of a ignorage in bulken extended to Madras and Bombay May 1814 The proposed the bill bulken should be received at mints	Lord Li errori a region would be proper matel for rish security	
T = prop seed t which bullion should be received at mints		16
land by odd that be a filmes that of their squantity required 15 time less 1	T m project twhich bullion should be received at mints	18
	tame to eductive bes a filmes that of their squantity required 15 time less	18

Gold,—continued	PAGE
Valuo increased four-fold at Umritsur since Seikh times from increased trade	195
Statement of coins in Umritani market, with remarks thereon	100
Memo of calculations of value of the several coins	199
In Cutch, coin called Koree current, its value and use	"
In Bombay bars obtain currency as tokens, not tried in Bengal	252
Rate at which Sydney mint gold can be laid down at Calcutta	253
Rate at which gold from Melbourne can be laid down Expense of sending gold from England equal to 3 per cent	"
Cost of sending gold from Australia to England, same as to India	"
Most if not all received in India from Australia sent to England	254
Table of results of gold to India for England, compared with direct shipment	"
From China inconsiderable, and no chance of large supplies	$2\overline{5}5$
Statement of selling price of bar gold of standard quality in London	257
Quotations of China lenf gold of 100 touch at Calcutta per tolah	258
Quotations for Australian gold at Caloutta Data showing value during 3 years, Rs 14 14 per sicca mohur	259
Price in India ruled by price in country of production	266 272C
Demand for Indian currency likely to raise price everywhere	272E
Average quotations in Bombay of English and Australian sovereigns and bar gold	272J
Average price of English sovercigns, &o, in 1830	272K
Note of Colonel Ballard, Mint Master, Bombay, explaining returns	272L
Causes preventing depreciation from enormous production being felt	275
Once sent out becomes of same value, whenceseever derived Reason why cheaper in interior than at Calcutta and Bombay	293 303
Superior convenience in currency worth at least 2 per cent	-
Calcutta quotations for Australian, 8th December 1863 to 3rd November 1864	308
Bombay quotations for the same, 12th December 1863 to 28th October 1864	309
Total imports, coin and bullion, to Calcutta in 1864, large proportion Australian	314
Imports and exports, April 1856 to April 1863	315
Estimate of imports for 1864 to 31st December, 8 to 10 millions sterling Average quotations at Bombay of Eng. and Austr, sovereigns and bar gold, 1857 to 1863	316 - 354
Average price of English sovereigns, &c., 1830 to 1864	355
High price not due to riso in relativo value but to low exchange	388
Table of market price of bullion and sovereigns in Calcutta, 1863 to 1865	390
Same continued, 1866 to 1868	391
Average price of English sovereigns, &c., since 1830	506 507
Average Bombay quotations of English and Australian sovereigns and bar gold Statement of imports and exports, 1850 51 to 1875-76	564
Proportion of import to that of silver as great as ever, if not greater	567
Imported to India and coined, four years before and since notification of 1868	568
GOLD AND SILVER Evidence of Dr Kelly before Select Committee, 1810, on relative value	401
Relative value in England and foreign countries by mint regulations and assays	. 403
GOLD BARS — See GOLD GOLD CURRENCY Bengal Chamber of Commerce to Government of India, dated 25th	
May 1859	1
Forwards letter from Calcutta native shroffs and merchants in favor of a gold currency	,,
Opinion of Chamber in favor of a subsidiary gold currency up to Rs 200))
English sovereign to be the circulating medium at a fixed rate	,,
Objections of Government invited, with a view to their removal	99
Shroffs and merchants to President of Chamber, duted April 1859 Question one of importance, time for decision has arrived	2
Inconvenience of relying on silver alone increases with wealth, population and facili-	"
ties of communication	,,
No paper currency except near Calcutta, payments made in silver	,,
Gold mohurs coined at mint no longor received for revenue	"
Facility of hourding, the reason why natives prefer gold Steps taken by natives in Calcutta on breaking out of rebellion of 1857	"
Officers, up country, had to carry about silver with them in absence of gold	"
Drain from Europe to the East continues, expected to be greater this year	$\ddot{3}$
Recent shipment and price paid, show difficulty of getting silver from continent	"
Honce derangement of money market and of exchanges in Europe	33
This remedied by adopting gold; other advantages not specified Bengal Chamber of Commerce to Government, 31st May 1859, correcting wording of	"
letter of 25th	,,
Government of India to Bengal Chamber, dated 11th June 1859	,,
-	

```
GOLD CURRENCY -- continued.
      Fundamental objection to proposal finetuating value of gold and aliver .

Another objection, loss to individuals in changing gold for silver in bazar
      Law existing in England furnishes no parallel to proposed measure.

Greater inconvenience of making gold the subsidiary currency that allvar Gorerment have tight to pay in gold as well as public; effect in paying interest on
         securities
      Proposal of Chamber open to all the objections urged against a double standard
      Government of opinion, the present a most unfavorable time for the change
      Objections of native shroffs and merchants considered and enswered
       Portableness and facility of hearding no ground for making gold a legal tender
       Scarcity of allyar and derangement of European markets, no reasons for injuring India
       Price paid in England per ounce of silver not sufficient evidence
       Beng I Chamber of Commerce to Government of India; rejoinder dated ... 5th July 1859
       Discovery of gold in California and Australia has not deposelated value
Examples of France and America addresed in favor of proposed change
       Benefit to India from shipments of after liberated in other countries
                                                                                                                               9
       Change will not necessitate future alteration in value of gold
       Second objection exaggarated; resort to money lenders not a necessary consequence
       Sellers of commodities would receive gold from buyers in adjustment of balance
       Reason why no parallel case has occurred or can occur in England
Introducing gold as subsidiary currency only way to introduce it at all
Inconvenience pointed out, imaginary; purchasing power not affected
       incontenting pointed out, imprintly purchasing power not successful. This shown in regard to copper in India, and silver and copper in England Objection uset, of payment by Government in gold in regard to securities Objection lies against double standard, not a limited subsidiary correspy Limit of Rs. 200 brings proposal out of category of a double standard Ressons which reader the present the most fitting time for change
        Ground of portability urged by nat! bankers, vindicated ...
Gold receiv d after 11th November 1810 by officers in charge of treasuries
                                                                                                                               īs
        But privilege withdrawn after Californian and Australian discovering
        Not more hopeless, nor any hardship, to fix value of gold now
        Concurs with Government that fact of hoarding is no reason for a legal tender
        But urges that if gold be hourded, it will liberate selver so used
        Belleves proposed measure would be beneficial instead of hurtful to India.
        One advantage not noticed by shroffs, less wear and tour of gold
Committee in favor of making gold the standard, as in Regiand
         But proposed a more moderate measure as more likely to be entertained
         Propose now as an experiment, that legal tender be below 20 sovereigns or even two
         Sir C Wood Bart ; Secretary of State, to Government of India, dated 4th Nov 1855
         Introduction of paper currency not deemed expedient as present
         Circulation of sovereign t fixed rate deferred for further consideration
         Mr James Wilron e minute dated .. 5th December 1850; introductory remarks
         System in England, where gold is standard, the best if we had to begin de novo
         This not the case in India, where all er has long been the standard
         Change now would be breach of faith, as between debtor and creditor
         laffect of Californian disco ory; fall in gold 5 per cent., compared with all er
         Effect in Holland and Belgium; gold demonetised, and silver made standard
         liciation between gold and it er coins in Judia; gold coins prohibited in 1852
Effect of discovery in United States, where double standard obtained till 1853
         Lif et in France, where also doubl standard had prevailed muce 1801
         By 18-0 gold disappeared from circuistion, eilver becoming actual standard
         In German States gold demonetised, after becoming sole standard
         In England single standard not tampered with, and no change made
         Considers it unwise to tamper with sin le standard used in India
         I roposale for change stated under five besile
         1st - Some existing gold coin to circulate at market price measured in all or
         2nd -A gold piece to be extend of giv a value subject to temporary adjustment
         3rd -Sovereigns to be legal tender for Rs. 10, but tender limited to 2 sovereigns
         4th .- Sin is standard changed from all r to gold, the first for subordinate coins
         LIL-A double standard of gold and of mirer
         ht.marks on first plan; object of a coin to represent a fired value known to all if this beent, it becomes a commodity with fluctuating value.

Practical effect of supplement I Indian currency with gold coins
         Con taut fluctuation must prevent such coins being used as money
         Objections almost as grave shown to apply to second plan
```

×

78

Gor	D Currency,—continued		PAGE
	Convention in 1857 between Austria and Zollverein, plan remained a dead letter		94
	Third plan not applicable to high-priced metals, objections to plan		24 25
	Fourth plan might do if we had to begin, pressure in England in 1837 and 1847		25 26
	Obligations being contracted in silver, change would be breach of faith		
	Fifth plan, double standard practically a permission to pay in cheapest metal	•	"
`	Unobjectionable if from early times, otherwise breach of faith		"
	Effect of double standard to subject holders to loss, more or less		$\overset{"}{27}$
	Cheaper displaces dearer coin, which is exported at a profit	,	
	Question of advantage to India from adopting gold, answered in negative		"
-	Movements of precious metals guided by self acting principles		 28
	To disturb or control them would only lead to derangement		"
	Immaterial, whether balance of trade is paid in gold or in silver		"
	Convenience to Government of gold on score of portability, a doubtful point		"
	Admitted in case of private persons, but paper currency better		,,
	Government of India to Secretary of State, 29th December 1859, forwards minute		29
	Sir C Wood's despatch, 26th May 1860, not advisable to introduce gold as yet		"
	Wants of community better met by paper currency sanctioned in March		"
	Mr Laing's minute on Paper Currency Bill, extract		30
	Opposed to provision excluding gold altogether from circulation		2)
	Does not concur in Mr Wilson's argument against any form of double standard	•	"
	Nor in fundamental objection of breach of faith if liabilities paid in gold Instances countries which have changed standard without such breach		"
	But admits difficulty of introducing gold along with present currency)) 0.1
	Would provide for issue of paper currency up to one-fourth, against gold coin or bull		31
	at fixed rates subject to adjustment	топ	
	How rate should be fixed to avert loss, advantages of such a provision		"
	Select Committee's Report on Paper Curieucy Bill, 16th February 1861, extract		$\ddot{3}2$
	Amendment introduced in accordance with Mr Laing's views		
	Extract from Paper Currency Bill, embodying amendment -		33
	Secretary of State's despatch, 2nd May 1861, extract .		34
	At present a sovereign can only be taken at its variable value as gold		,,
	Power given in Bill to be used to a limited amount, and only in presidency towns		,,
	Mr Laing's minute on currency and banking, 6th May 1862, extract		35
	Step taken in December 1852 of refusing gold at treasures, a mistake		,,
	Undesirable to exclude gold entirely from range of menetary transactions		27
	Agrees, that if currency for India began de novo, that of England the best	***	"
	This difficult now, with silver standard and immense silver coinage		"
	Does not agree with many of the objections against double standard		"
	Reasons why not advisable at present to have a double standard		"
	Object of clause in Bill explained, and its advantages insisted on Would wait for experience of working of new system before giving it effect		36
	Secretary of State's despatch, 16th September 1862, extract		
	Does not see how clause in Bill will introduce a gold currency		,,
	Effect will be that paper will be subject to variation, gold remaining in deposit))))
	Question of introducing gold has no connection with issue of notes on gold		,,
	Reasons why steps with that object are inexpedient at present		37
	Bombay Association, memorial to Government of India, 8th February 1864		38
	States reasons why a gold currency is greatly needed in India		,,
	Silver weighted with many charges, while gold might be cheaply imported		39
	Currency Act of 1861 provides no remedy for detects of monetary system		"
	Government of India's reply, 29th February 1864, subject under consideration		40
	Bengal Chamber of Commerce to Government of Inaia, 19th February 1864		"
	Forwards resolution passed at (eneral Meeting on 17th instant		"i1
	Asks for a committee to enquire into best mode of introducing an auxiliary cui rency		
	Believes that a tentative measure will gradually lead to a gold currency Appends correspondence which took place in 1859 on the subject		33
	Resolution of Special General Meeting of Bengal Chamber of Commerce, 17th Fcb 186	.1	42
	Government of India to Bengal Chamber of Commerce, 29th February 1864		"
	Subject under consideration, committee of enquiry not necessary		"
	Government of Rombay to Government of India, 7th March 1864		,,
	Forwards memoral of Bombay Chamber to address of Government of India .		,,
	Also minutes recorded by members of Government of Bonibay		"
	Also memorial of Bombay Association, Mr. Cassels' letter, and Mr. Inversity's minut	e	43
	Minute promised by Commander-in-Chief will be sent when received		,,
	Memorial of Bombay Chamber of Commerce to Government of India, 19th Feb 1861		1)

CURRENCY —continued. Expansion of trade; insufficient production of allver; devargoment of prices	
necessed production and importation of rold t other reasons in favor of change	
timete of Governor of Bombay 23rd Pebruary 1884; in support of memorial	
or duty to prepare way for a change which may be forced on the	
Yould in first place act on provise in last clause, Section 9 Act XIX of 1681	
iffect, to substitute gold for allver largely and to expand use of encrency notes	
beorption of silver not due entirely to hearding, but to use in becars where but	rust
prevailed Dijection met of embarrassment from too much gold in treasury	
Probable further changes; change of standard a future eventuality	
Mexte of Commander in-Chief 25th Vebruary 1884; will write evon; concurs in pra-	yer
Minute of Mr W E F ere 26th Pebruary 1884; concurs with President	
M sate of M G D Invertity 29th February 1864; proposal of President insuffici	
Appends statement showing excess imports over exports of militar 1854-55 to 1862	-68
Same with regard to gold demand continues to increase Dinlog of a writer in the Westminster Review' quoted	•••
Also Dr. Namau Lees; no alternative but a gold standard	
Possible fall in value of gold a bugberr; Review quoted	
Supports prayer of memorial, and Mr Casselv letter	
Statement of gold and silver exported and imported from and to Bombay	
Mr W R. Carrols to Government f Bombay 1st January 1861	
Frads of Bombay increased in 10 years, 250 per cent. In tom House valuations should be increased 15 or 20 per cent—to give true amount.	-
With Medras and Calcutta, the value in 1862-63 is 1064 million rupess	
Wise regulation of currency therefore a matter of great importance	_
Mr. Wilson quoted, to show migent need of reform	
Object of paper currency to set free reproductive capital	
General initalligenes and confidence required for its reception India from past native misrule and distrust, not prepared for it	
Figures from Currency Department reports quoted in proof	
Mr Wilson e estimate of actual circulation, allowing for bounding 100 millions sterli-	na
This too high, but admitting it, currency notes taken in three years, only 6 per cent.	. "
Releasing capital only to extent of a million eterling, or one por cent.	
A case in Rombey cited of native distrust of currency notes Conclusion, Currency Act of 1881 has not effected musded reform	
Present monetary pressure at Bombay and its effects, described	
Prolonged by insufficient allver currency which gold would have abridged	
Mr Wilson e rem La on less to Government and the public fram bulky columns	
Expedients noticed by him to which native merchants resort as a remedy	
Great expense of maintaining the thousand millions in circulation. Reproach of India being sink of precious metals; absorption of silver	
Table of amount of silver bullion and coin imported in last rix years	
Drain from Europe continuos, but little permanent addition to circulation	
ludis absorbs more than the annual all or production of the world	
Effect of drain on France, and probable effect on England	
licralt of scarcity to decrease circulation and reduce prices Argument noticed of fall in value of gold since Californian and Australian discoverie	1
like in value of aliver not due to any special prodilection for the metal	
But to needless and partly forced demand, i jurious to other countries	
Less cost and less variable value of gold makes is preferable as a standard	
Scarrity of allver and abundance of gold, a reason f r a gold standard	
Discovery of mines opportune for steadying price of both gold and silver. Our currency entails loss by foreing us to buy the scureer metal.	
And preventing us from taking gold from Australia, which is cheaper	
If gold the tandard demand would create direct trade with Australia	
Filter standard represes industry of India; Mr Laing quoted	
Mr. Lalog and Select Committee s provision to introducing gold as anxillary	
But this important emendm ut has inscrutably become a dead letter. India a readi-eas to take gold shown by importations of lest six yrors.	
India forced to be " ink" of precious metals, and forced to bearh silver	_
If ld the only officient to is for a paper currency for India. Way in which gold would check absorption, and set silver free	
Way in which could would check almoration, and set silver free	
Adoption of il rat first a mistake which werd not be perpetuated	

GOLD CURRENOY—continued		PAGE
Mr Wilson's objection theoretical, change of standard no breach of faith .		. 66
Similar precedent in England and America, without causing dissatisfaction	• •	67
Loss could only arise from great depreciation of gold, which is not probable	•	
Suggestions for a scheme of gold counge, fixing Indian Mint value of gold	•••	•
Cominge to be built on existing silver currency, gold pieces with silver tokens	•	,, 68
Kupees to continue legal tender up to Rs 500, subject to alteration	•••))
Double standard hable to great fluctuations and productive of loss		"
M1 Lung's opinion quoted in through of introduction of gold		"
Importance of assimilating our currency to that of England	•••	69
Government of India to Government of Bombay, 18th March 1864, subject u	nder	
consideration		"
Government of Bombay to Government of India, 19th March 1864, forw	ards	
Sir W Mansfield's minute		70
Minute of Lieut -General Sir W. Mansfield, 8th March 1864; table of contents	•	71
Chapter I, memorial of Bombay Chamber, beginning of a much needed reform Mr. Wilson's authority in opposition needs first to be removed	•	73
Three grounds of objection,—1st, breach of faith, 2ud, against precedent, 3rd, no	,	"
vantage in change ,	uu-	
These fallacious, uncertain value of silver as much as of gold, overlooked	•	74
As well as the social condition and habits of the people of Iudia	•	•
Duty of examining Mr Wilson's views, and the principle of a currency		"
Chapter II, currency defined, precious metals, capital employed in lieu of barter		
Conditions of economy to be considered in selecting the metallic medium		,,
Grent stride in wealth indicated, when substitute for bulky silver is songht		,,
Besides portability, a further reason for substitution, less wear and tear of gold		76
Coming operation less, thus cheapening com in inverse ratio to value		37
This mechanical view generally overlooked, notably by Mr. Wilson		77
Duty of State to substitute more valuable metal, when community is ripe for it		78
Holders of old medium have no just cause of complaint when all are benefited	***	22
No real antagonism of interest involved, or real breach of faith incurred		79
Question is, whether India has reached the stage to require a gold currency Chapter III, meaning of standard value, cost of labour determines value		80 [.] 81
Difference between values depending on conditions and legal notion of standard	l of	OT
value	. 01	••
In effecting a loan, State borrows value as represented by a number of coins	•	82
State not bound never to change its legal tender, or expression of measure of value		83
If creditor paid full intrusic value, whether in gold or silver, no cause of complaint		,,
Difficulty in terms of a State loan, not experienced in commercial transactions	•	84
Money system implies contract to receive value, in whatever form		"
Argument summed up, new tender must be equal in value to old	•	*** ****
Chapter IV, fallacy of Mr Wilson's illustration of a contract for wheat exposed	•	85
Contract could only be fulfilled by giving a larger measure of inferior grain Consequence of admitting Mr Wilson's reasoning, pointed out		* 86
Mode in which a judgein equity would regard obligations of contract		87
Coutract being for value, must be completed in value at present time		"
To pay greater value, though in same standard, an injustice to public at large		8 8
Argument for paper currency, inconsistent with breach of faith objection		,,
Mr Wilson's mistake, substituting idea of commodity for that of currency		89
Doubt if relief by paper will realize his auticipations in India		90
Chapter V, double standard considered, what meant thereby		"
Conditions involving variation of relative value one with another		91
When two metals employed in carrency, cheaper excludes dearer	•	
If gold more profitable, it will exclude silver, and vice versa		93 93
In France silver excluded gold, till discovery of gold turned the scale Same result in United States, where silver came to be exported		
Steps taken there from 1849 to 1853 for substituting gold for silver		94
Meaning of token coin, legal tender of this why limited) 7
In 1853 legal tender of United States practically reduced to single standard		95
Necessary that there be one measure of value, though there be double legal tender		,,
Manner in which accounts kept in France, and public debt paid	•	96
Both countries show contracts to be for value, not for a particular currency		97
Chanter VI. definition of money absorbed in a currency, form of absorption		"
Absorption of a metal for currency, cause of larger demand for the metal		98
To deprive it of this function must therefore affect its market value Demonetisation of one metal in favour of another, makes first cheaper, last dearer		
Demonetisation of one metal in layour of another, makes hist theaper, has dearer		"

POS INDEX

	PAGE
COLD CURRENCY —confirmed. Effect, production of former censes, except for manufacturing purposes	98
This compensated by action of other countries, again relaing its value	
Silver lately demonstrated in France and United States, as before in England	99
This the chief reason why value of gold is so little affected by discoveries	100
But for this, silver might possibly have taken the place of gold Course taken has saved the world from a great revolution in value of metals	
In other countries gold demonstrated, adding to effect of discoveries	-
Gold mines thus artificially created by inconsiderate conduct of Governments	ri
And gold relatively cheapened by artificial value given to silver	101
Positive injury thereby done to communities, the State, and all debtors. This a successful speculation to fund holders and all creditors	
This a sufficient explanation of 5 per cent, rice in price of eliver	H
Wise conduct of the three most wealthy Governments prevented further rise	
Progress of these countries prevented change in gold from increased production	_
Conduct of Holland, Belgium and India reprehended on this score	103
Silver began to flow to markets where it could fatch highest price Artificial price thus replaced natural price when contracts were made	103
Effect on countries in which gold was arbitrarily demonstried	*
Breach of faith argument recoils on very measure for which it was urged	
Chapter FILArgument considered, of injustice to ryot by adding to his difficulties	101
By demonstring gold, silver is raised, to detriment of whole debtor class Such demonstration unfavourable to all periodical payments under old contracts	
These parties actually pay about 5 per cent, more than they contracted for	
The country and the same of the country of the coun	. 106
Same in regard to North Western Provinces and Bombay	
Further fact, general indebtedness of landlords and ryots to bunkers	
As debtor State unfairly prejudiced a landford obtains unfair advantages	107
In like manner wealthy tenants compensated in greater value of savings But indigent ryots have additional infliction in artificial value of silver	
Other classes besides hand-owners and systs affected by artificial rise	
These the poor who mood for health as much salt as the rich	~ 169
Salt tax, in whatever form, essentially a poll tax on man woman and child	
Demonstraing gold alone considered; other aspects left out of view	100
Point in memorial noticed, that silver reaches India hearily charged This prejudicial to India because it cannot be re-exported without loss	
Injustice of a state of things which compels large import of silver	110
he good reason for making precious metals go round instead of coming direct	**
Profits usade in transit a deduction from those which would accrue to India	
Argument that this state of things cannot hat, stated and answered	111
A gument of impossibility of importing gold direct from Australia, answered Chapter VIII general considerations; convenience to people of gold currency	111
Arguments in Chapter II regarding mint operations need not be recal italated	_
Question of portubioness and security closely connected with habits of pourlo	112
luportance of this seen in addiction to personal ornaments of silver and gold	** ,**
Also in large investments by grandees in precious stones and valuables Advantage of portability especially seen during robellion of 1837-58	×
These facts show necessity of a gold currency on ground of convenience	113
In Luropo and America, reacrees tored in vaults, a d value represented by paper	
But oriental populations satisfied only with evidence of senses	
licasons why notes are not found to answer purposes of people Cold coined in Native States preferred to British coinage	111
Advantages of paper currency not dealed, but people not educated to it	. าเ๊ธ
Gradual means required to overcome immobility and introduce improvement	
Custom paramount till evidence is had of gain following from change	. 116
Introduction of cotton and tea, the gradual work of more than a generation. The social aspect, the truly important one and difficult to deal with	
Overhasty application of most perfect economical system defeats its of sect	
Canaca of f ilure of Mr. Wilson a effort to introduce a convertible perser	117
laftnence of London and Liverpool felt in Calentta and Hombay but not by the masse	s 118
By them metals steemed; by them ingot currency organized in Bombay Circumstances favourable to Mr. Wilson's scheme at its introduction	**
Let a relational transfer and force of custom proved triumplant	. 110
lacts should proference of the people for gold to liver Large quantities of gold imported on private account since 1800-01	. 110
Lurge quantities of gold imported on private secount since 1800-01	
hallers of attempt to fluit a tentative timer currency inference from white	1 41

		7461
Gold Current -confirmed.		99
Effect, production of former ceases, except for manufacturing purposes. This compensated by action of other countries, again raising its value		-
Silver lately demonstrated in France and United States, as before in Engine		Õ9
This the chief reason why value of gold is so little affected by discoveries		
But for this, after might possibly have taken the place of gold		100
Course taken has saved the world from a great revalution in value of metals. In other countries gold demonstrated, adding to affect of discoveries.		17
Gold mines thus artificially created by inconsiderate conduct of Governments		
And gold relatively cheaponed by artificial value given to allver		101
Positive injury thereby done to communities, the State, and all debtors		*
This a successful speculation to fund holders and all creditors This a sufficient explanation of 5 per cent, rise in price of eliver	~	*
Wha conduct of the three most wealthy Governments prevented further rise		27 pa
Progress of these countries prevented change in gold from increased production		
Conduct of Holland Belgium and India reprehended on this score	**	100
Bilver began to flow to markets where it could fetch highest price		100
Artificial price thus replaced natural price when contracts were made Effect on countries in which gold was arbitrarily demonstised	••	"
Breach of faith argument recoils on very measure for which it was urged		,,,
Chapter VII Argument comidered, of injustice to ryot by adding to his difficulti	CI	10
By demonstring gold, allver is raised, to detriment of whole debtor class		~
Buch demonstration unfavourable to all periodical payments under old contracts		×
These parties actually pay about 5 per cent. more than they contracted for Effect of excluding gold from tender on contract between State and land holders		10
Same in regard to North Western Provinces and Bombay		10
Further fact, general indebtedness of landfords and systs to bankers		10
As debtor State unfairly prejudiced; landlord obtains unfair advantages		10
In like manner wealthy temnits compensated in greater value of savings		,,,
But indigent ryota have additional indiction in artificial value of silver Other classes besides land-owners and ryots affected by artificial rise		-
These the poor who need for health as much salt as the rich		10
Salt tax, in whatever form, essentially a poll tax on man, woman and child		
Demonstring gold alone considered; other aspects left out of view		100
Point in memorial noticed, that allow reaches India heavily charged		~
This prejudicial to India, because it cannot be re-exported without loss Injustice of a state of things which compels large import of silver		111
No good reason for making precious motals go round instead of coming direct	~	
Profits made in transit a deduction from those which would accrue to india		₩
Argument that this state of things cannot but, stated and answered		
Argument of impossibility of importing gold direct from Australia, auswered		111
Chapter VIII general considerations; convenience to people of gold currency Arguments in Chapter II recording wint operations need not be recallinated		
Arguments in Chapter II regarding mint operations need not be rees itulated. Question of portableness and security closely connected with habits of people		11:
Importance of this seen in addiction to personal ornaments of allver and gold		H
Also in large investments by grandees in precious stones and valuables		*
Adva tage of portability especially seen during rebellion of 1857-88 These facts show necessity of a gold currency on ground of convenience		11:
In harope and America reserves stored I vanita, and value represented by paper	•	,,,
But oriental populations satisfied only with evidence of senses		
Ileasons why notes are not found to answer purposes of people		11
Gold coined in Vative States preferred to British coinage Advantages of paper currency not douled but people not educated to it		าวัง
Gradual means required to overcome immobility and introduce improvement	***	211
Custom paramount till evidence is had of gain following from change Introduction of cotton and tes, the gradual work of more than a generation	***	11
Introduction of cotton and tea, the gradual work of more than a generation	***	-
The social aspect, the truly important one and difficult to deal with Overhasty application of most perfect economical system defeats its object	***	*
Causes of failure of Mr Wilson a effort to introduce a convertible paper	***	112
Infinence of London and Liverpool felt in Calcutta and Bombay but not by the me	Hecs	118
By them metals extremed; by them input currency organized in Hombuy	**	~
Circumstances I vourable to M. Wilson's scheme at its introduction. Yet's reial habits of people and force of custom proved triumphant.	**	11/
Pacta showing preference of the people for gold to silver		111
Loge quantities f gold imported on private account alnee 1860-61		",
failure of attempt to float a tuntative p per currency; inference from whole		13

GOLD CURRENCY—continued	PAGE
Chapter IX, cause tending to accelerate if not erente new development in India	190
and the gold directing cheaper as demand for other commodition increased	120 121
and the to new demands, and greater power of consumption with proposite	
Title shown by test of shit int, orning on ground of health first satisfied	"
III with why increased foreign commerce adds to domestic production	• 99
Population not now too numerous for employment, but competition for labor	"
Rise of prices of food partly owing to greater disposition to consume	"
Wages rising everywhere, more especially near this sea coast	,
Conveniences multiplying, railways and steamers supplanting pack bullocks	122
Efforts of Public Works Department to meet demand for in proved communications Other matters of convenience, local banks and companies	,
Rupee has penetrated every where, pauper districts supplied with circulation	"
Countless individuals become possessors of small reserves of wealth	٠,,,
India lately passed from poverty to comparative wealth, signs of this	123
In all these circumstances, ample cause for great merease of circulating medium	
fuerensed transactions, rise of wages and of pieces call for addition to currency	•••
Another consideration, change of manners, creating new wants	. 124
This already seen in Bombay, and beginning to be felt in provinces	•
Process requires timo, effect in Bombay of disturbance of values	, ,,
Since prosperity set in, silver no longer adequate for wants of circulation .	125
Correction of wants of currency enforced by practice of the people	"
Popular instinct maintains relative value of metals, despite prohibitions. Gold and silver long bought at profit in Europo for exportation to India	,
Conclusion that we are bound to follow the lead the people have given	"
Popular instinct has removed much of difficulty of new arrangements	126
No alarming depreciation of silver appreliended, if gold made currency	120
Only effect that importation would diminish, that of gold being augmented	$1\overset{"}{2}7$
On other hand, there would be concurrence with national tastes and habits	, ,,
	· , , , , , , , , , , , , , , , , , , ,
Much time must elapse before mass of silver can make place for gold	"
Time required for comage and for distribution throughout the country	""
Change should be gradual according to demand and public convenience. Points to be attended to in effecting change from one to the other	128
Example of United States and France, transition period of double legal tender	"
No token cominge during such period, but when change is completed	129
In India, cause necessitating a token comage not yet existent	,,
Another reason against introduction of a piematnic token coinage	2)
Same as in case of notes, that people not educated to the point	,"
Uses of a token comage, period of a double legal tender unavoidable	_ 180
No liope of process of substitution being so rapid as in America	131
Chapter XI, denomination of value to be retained, as in France and United States Rupee to assert its ancient position in value, whether gold or silver	
Not expected that any foreign come can be exact multiple of a rupec	"
Reasons, effect when sovereign is worth more or worth less than Rs 10	132
Mode in which sovereign may be used for circulation in India	,,,
Convenience of admitting sovereigns at once into circulation at true value	183
Reason why so little gold was offered, when receivable at treasuries	" 104
Original calculation of relative value erroneous, error how neutralized .	134
Value of gold now nearly the same as when original calculation was made	135
Objection that silver being exceptionally high, may still exclude gold Objection answered, recent values likely to be maintained.	"
Superior convenience of gold likely to neutralise any small difference	"
If values of Act still favourable to silver, readjustment may be made	, , ,
Proposes that legal tender of gold be exacted on basis of equivalents of Act of 1839	136
That gold be made legal tender, not in substitution, but in and of silver	"
That sovereigns be received at Rs 104, notes to be exchanged for either methic	19
That mints turn out gold largely in coins described by the Act	"
Assertion that artificial value of gold coins in interior reacts on presidency This probably true, and another reason for throwing gold coins on the country	"
Note, appending retuins of values and fluctuations of gold and silver	137
A and D groupe of governon and of bur silver in Dombay	138
C and I) -average price of that silver in Englishe, and of gold buts in Doubly	139
TO A - 4-4-and of gold loof only then December 1000 to the match 1000 to	140
E-Price of gold at Calcutta per tola of 23 caravs, and per ounce of 22 caravs	$\begin{array}{c} 142 \\ 143 \end{array}$
G—Price of bar silver per onuce standard in London	1.10

		PAGE
loan Currenter—continued Hadras Chamber of Communes to Government of India; memorial of 80th April 1:	156	144
Desirable to enlarge currency to meet growing wants of the country		441
India prepared for a paper currency on a widely extended scale.		
Kristing paper system has not realised expected benefits; reason		
Aim should be to circulate notes as legal tender throughout each presidency		-
Immediate creation of circles of issue throughout the country recommended		-
And motural treasury balances made available for conversion of notes Acceptance of notes in payment of Government dues, to be everywhere authorized	***	-
Lowest denomination of notes should be reduced to Rs. 5		n
Of opinion that letroduction of gold will be of material advantage		140
Convenience from portability; gold currency would rapidly come into use		*
Importation from other countries shows that coinage would be acceptable		
Imports of allver increasing beyond means of supply while gold is plentiful		н
Financial embarrasament would have been mitigated had gold been in two Government of India in reply 28th May 1881 subject under consideration		1₩
Sir C. R. Trevelyen a minute dated 20th June 1864		147
Proposals of Ben. Mad. and Bom Chambers of Commerce and of Bom Association	•••	
Feeling of native bankers of Calentta; of Upper Indle, shown in Appendix 1		148
Opinions of Members of G vernment of Bombay stated, and of My Walter Cassols		
Practical proposals in Mr Camela letter quoted		149
Recommendations of Sir W Mansfield, Commandar in Chief Bombay noticed Unanimous opinion that there ought to be a gold entrency; cause of unanimity		150
Nature of late crisis, and means of prevention or initigation, considered		100
India between November 63 and March '64 has been compared with London in	47	
and '57		*
But little in common in India no drain of specie from state of foreign exchanges		*
Much sold trading in cotton and piece goods, but markets had been rising and fortunes made		
Moch activo cuterprise also in ten and other industrial projects		
lint public confidence in their profitable character remained unshaken		~
Root of evil much deeper; kurope unable to return merchandise		
lialance had to be paid in metals, till cotton cloths sent on opening of trade		
H t normal state returned, and slace 1817-49 import of specie increasing		-
Balance to be paul in specie augmented by Russian and American wars Domand on resources of India could not be met at former prices		-
Diversion of food areas and of labour raised prices of labour and of all articles		
Cottou rose to three or four times its former price; this seen in Appendix 3		161
Crisis of 1863-64 not a monetary crisis; exports far exceeded imports	_	н
India not prepared to take English manufactures as eq Ivalents Only article in universal demand among the people was specia		163
Gold being excluded as money eller bad to bear the chief strain		
In other words, the crisis was emphatically a mercantile one		
Honey in circulation sufficient for carrying on external exchanges		10
But not for meeting demand caused by foreign trade		н
Mode in which produce aported to Fughand is paid for In November 1863 demand set in unprecedented for intensity and duration		-
I unils of banks exhausted, though Government end belances made available	_	~
High rates in barar for money; theremment securities declined		-
Only security holding its ground, the Government note currency		
Crisis set due to deficiency of circulating medium; proofs But to unwillingness to take ordinary mercantile equivalents	••	153
Also to regulations of Government, which give allver advantage over gold		~
Great importation of after due to its being the only article the people will take		~
Remedy to relieve strain, every addition that can be made to articles in demand		151
Piece-goods and yarn, metal uteralls and Cheshire salt coming to the resene		-
Calef object should be to make gold and aliver an article of import. Before California, aliver production more than gold; since case reversed		*
Mode in which gold from Australia reaches India in silver deranging markets		165
Course of trade described, benefiting all, if gold placed on footing with silver		,,
secum in imports hitherto filled with effect but worse evil behind	**	
Imports of after already equal to enthe production of whole world	•••	156
Reserves in United States and France exhausted; other countries too, need all ret In adjusting exchanges large balance has to be paid to China in sliver	••	-
Indian al at mable to turn out affect coins as fast as wanted		157
Agreeme monthly amount annulating and built account it amount is a		

Gotd Currency -continued	PAGR
Probable consequences of deficiency of silver to adjust halance of the de	155
Dist remedy, to place gold on same footing as silver as an article of import	157
and can only be done by restoring gold to its place in the suppose	158
superior advantage of gold summed number of large value in small bull-	,,,
Comparative weight mid include of countries gaving loss and meanwhouse	"
at serious units onch, that enough money for the equipot be equipod on the nergon	9 ?
a uper the representative of gold, India has advanced to cold stuce	,,
Gold used formerly in India, and still in countries beyond frontier	159
Paper based on silver is an irregular advance per saltum	,
Paper currency furly successful, note c renlation, 5 rupec notes should be issued	,,
But not accepted by people, who will have intrinsic value in payment	"
Increased imports of gold since May 1860 show which they like best	160
Ingot currency organised by them in some places in face of discouragements Real gold modurs made by forgers who profit by the premium	• • • • • • • • • • • • • • • • • • • •
Details of four cases given in Appendix 4, one on Scale of a mint	,,
Other proofs of popularit, of gold comago, Jeypore comage in esteem	<i>"</i> 101
Propal and Barmah cited as being two extremities of the empire	161
Most decisive example in Madris correspondence in Appendix 5	"
But for Government interference, gold would have displaced silver in Tanjore	,,
Lord Laverpool's opinion instified, that gold the proper metal for rich countries	162
- Question for consideration, how this object can best be attained	,,
Provision of Act MIN of 1861, Mr Cassels' and Sir B Frere's remarks cited	
Provision borrowed from English Act of 1844, regarding issue of notes against silve	er
Mr Wilson's objection stated, object of holding silver in issue dept of Bank of En	ng "
Reason why similar provision regarding gold was not earned out in India	, 163
Mr Wilson's opinion of effect of issuing notes against a gold reserve	,,
Opinion of Mr G Arbithnot of the Tiensury on same subject	164
Complication from issue of notes in evaluate for bullion as well as com	" "
Mint certificates prouble on demand instead of 20 or 30 days sight. The involved formulable difficulty, large remittances to Bombay necessary.	165
Difficulty felt at Bombay, Calcutta and Madras to meet must certificates	1 66
True basis of paper currency, to issue notes only in eveluage for coin	
This would enable return to practice of making certificates payable after coming	22
Returns in app , 1st, silver bullion received monthly at 3 mints, May 1862 to April 18	3 64 1 67
2nd, total amount coined, 3rd, balance incoined at end of each month	"
4th, silver bullion tendered monthly at Bombay, May 1861 to April 1864	,,
5th, remittances to Bomhay, May 1862 to April 1864, to reinforce Government balan	ice "
Past proceedings in regard to gold coinage, mobin and star pagoda	"
Act of 1835 enacted gold come not as legal tender, but received and issued at treasur	1108 ,,
Rute prescribed by proclumation of 1841 subject to variations from time to time	ny 168
In May 1844, reduction of seignorage on gold bullion extended to Madras and Bomb In January 1850 effect of Culifornia on price of gold in India, first noticed	
Effect of discovery in Australia, gold coin not received at treasuries after Dec 1852))
We should now retruce our steps and declare gold with silver legal tender	,,
M1 Wilson's objection, contracts to be paid in metal used when they were made	$1\ddot{6}9$
Objection answered by Sir W. Mansfield, his arguments noticed	,,
Our strong of double standard, popular sentiment, one metal measure of value	22
Though two mude legal tender, one only practically the standard of value	170
British currency passed through alteration stage, till gold established in 1816	27
This experience applied since 1898 to reform of metallic currency in colonies	
Whole process described in appendix 7, extracted from Mr Arbuthnot's memo	
Our example followed by United States, proceedings there described Similar change in France from 1801 to 1850, gold now standard currency	171
Papers relating to Ceylon in appendix 10, immunity from crisis due to double standa	
Nothing more to add to argument for gold as an auxiliary currency	55
Steps of introducing process, habits and feelings of people to be regarded	,,
Gradual addition of gold to existing silver currency, recommended	,,
First effect to raise value of gold and lower silver, advantage or this	4 29
After effect to fill currency with gold, silver becoming token coinage	179
Advantage of one uniform standard of exchange throughout the empire	173
After Conforms sovereigns took place of dollars in Mediterranean and Levans	"
In Australia, sovereigns coined and made legal tender in the Colonies),),
In Austrain, sovereigns content and made and space of the Austrain of the Austrain of the Australia of the A	,, ,,
Recommendations accepted, and treasury minute recorded in June last	174
ACCOMMENSARY TELL TO A TOTAL TOTAL TO A TOTAL TOTAL TO A TOTAL TO	

0	PLGS
in Ounnessy —coalisaed. Thus, only external obstacle to supply of gold coin, about to be removed.	175
Question of a mint at Melbourne not entered into by Comm thee	170
Question one of importance to India in respect of a sufficient supply	~
Major Ward Master of the Sydney mint, quoted on this point	177
Statistics showing failing off in produce of Australian gold fields	180
Question how sovereign should be rated in reference to the rupes	178
General principles; rate should be rather below than above present price of gold Effect in regard to contracts, of fixing rate too high	**
If too low the worst would be to retard operation of the measure	,,
Rato should be fixed in respect of value in England but cost from Australia	
Fractions to be avoided if possible, as in accounts between India and England	
Value of Madras fanam; Mootraj a expedient in slege of Mooltan	170
Sir C Wood quoted, as to importance of convenient mode of convenient to rupces Reform of currency in West Indies facilitated by uniting principle and convenience	-
Considers a sovereign near enough to Ra. 10 to be fixed at that value	,,
Official value of rupes before discoveries; value of bar silver in London in 1803 & 1863	190
Real question, worth of the rupes not in London but at Calcutta	,
Mr Dunlop, Manager of Calcutta Branch of Agra Bank quoted on subject	
Letter in appendix from Mr Claud Brown, of Jardine Skinner & Co., on the subject	*
Annual rates of sale of sovereigns from January 1859 to June 1865 in appendix 8 Wr Brown a opinion quoted that sovereigns may be turned out at mint at Ra. 10	181
Rate of sovereign in Upper India scarcely exceeds that at ports; explanation of this	
Duty paid in Australia to Customs; charge at Sydney Mint	
Regul r trade with Australia will both reduce and steady price of gold in India	183
Sovereign undervalued at Rs. 10, yet will be preferred in all but petty transactions	-
Proposes that sovereigns be declared legal tender in India at rate of Ra. 10 Indian mints to receive gold bullion on same torus, with cost of colonge	
Mint charge on liver to be maintained as at present	-
C recover notes to be payable in either coin, but not in buillion	183
In f opinion that sovereigns in sufficient quantity will be provided	-
Conclusion; remarks on boarding proposity of people and Native States	
Agrees with Captain Lees that demand for currency will increase beyond all experience	ıšı
People will have precious metals; is it to be silver only or divided with gold? Annual production of gold above 2; times that of allver and far more efficient	
Quantity required will be 16 times less than if paid in silver	17
If absorption be directed to rold, depreciation of that metal will recon	,,
Agrocs with M Jerous that gold will become the money of the world Appendix I Mr J C. Parry of Belhl Bank, to Sir C. E. Trevelyan, 5th May 1901	.2.
Appendix 1 Air 3 C. Parry of Delhi Hank, to Sir C. E. Trevelyan, 5th May 1861	185
General feeling of Conference of Native bankers that gold will succeed if made standard Some would lears it optional to pay in gold or silver up to Rs. 100	
But principal banker would use silver only as fractions of a sovereign	
Own opinion that fill silver absorbed, it should be received up to fix, 100 or 200	*
Forereign considered most convenient; amount and market rate at Delhi	
No half measures, or there will be failure, as in 1843	**
Fxisting engagements should be legalised in gold at Rs. 10 each sovereign Holders of notes and securities will benefit by aerangement; reason	180
Mr N Porter of Scinde, Punjab and Delhi Bank, to Sir C. E. Treveyan, 20th May 1861	-
Meeting held of men interested in trade, lucinding Marwarees and bankers	-
Nature of question laid before meeting with a homely illustration	-2-
Advantages of gold supplementary currency appreciated by meeting Sovereign preferred; local price; would not be at premium except for exchange	187
purposes	-
Mr L. C. Probyn, Accountant General, Punjab, dated Lahore "Oth May 1861	-
Could not go to Umriteer; enquiries confined to bankers at Labore	-5-
Price of sovereigns fluctuating; cause of large imports of gold to Punjab	183
If sovereign made legal tender at presidencies, it will succeed in Pu Jab Mr D 1 M Level Financial Commissioner to Sir C. E. Trevelyan, 21th May 1861	180
1st question, if gold currency in addition to aliver would be acceptable	200
i wa of bankers alty but they do not dislike the surgestson	
I inclusions of r i live values expected, as between silver and enoner	*
and whit from and raine would be most suitable for gold correctly forced and half sovereign preferred, being familiar and most convenient	*
I like of description of good coint now circulating in the Punish	I(*)
is idea come gold imparted in form of dust, sheets, nuggets and lors or bricks	เขอ
Remarks on these form a average selling price of gold at different periods	-

tions Cepteron - endo not,	PAGL
Co. cin con, that most of the sold is brought to consider belongs of and	191
Parther, that relative value has continued susprisingly uniform	3)
An' crea name and lest from Mr. Melvill, Commissioner at University	**
Merce, 14 Mr. P. S. Melvell, Commessioner of University, 20th May 1861	**
Marchan's decided in fixour of gold currency, if introduced generally	195
Ha is of me isure, form sovereign at 18s 10, with hilves and quarters	**
An exert dement of gold come in market, value brought yearly to Umritin	37
Value inco and four fold successful hatme, from general increase of trade	,
tra of englis in Sills times, Cabool, now Bombas and Calentia	>1
Demond, post of progress in we delined of greater security empyed	77
It side emerce will brine wher to surface, while gold will be hourded	196
The state of the same a sending the anticologist of the standard of the same and th	**
of are ion, of told boils at Unities, and remarks thereon. 20th Mm 1864	(n
The state of the state of the feveral come branche course	716
Largelies Mannger of Sindh, Panjth and Dellis Bink, to Mannging Director, 2nd June	199
1461	
Gold currency in Cutch for reven years, com called koree, value and use	"
Tr Parid Andod sucmoradum, datal 30th June 1864	,,
In't site on it I aglish sovereque would be highly beneficial to British Burmah	23
So nau'd Arth dian of time resar as London, if made legal tender	2)
Price of the two limbs; no other gold come recommended, reason	200
Precent introducing gold currency, favourable to country and to Europeans	
Meyer of Mr J. C. Tedd, dated Rangoon, 27th June 1864	201
Goo'd currence by his desirable in British Burmah, Linglish sovereign best form, why	**
27/ ("dir 2, value of imports and exports of merchandise and treasure, from 1847-48	**
to left the	202
Details of imports and exports of increlandise, gold and edver in 1863 61	203
Apper har 2 A, imports and exports of merchandise and treasure, Ben 1860 61 to 1863.	
61	201
Approxima 2 II, come in Madras Presidency	205
Appendix 2 C, same in Bombay Presidency	206
Affired a 2 D, value of imports and exports to and from ports of British Burmah, 1560 61 to 1567 64	90h
Appendix 3, rilver bullion received, coined and uncoined in Calcutta, Madras and	207
Homber muts, May 1862 to April 1861	208
Appendix 3 A, rime in Calentia mint	209
Affeeder 3 B, some in Madras mint	210
Appendix & C, sin e in Bombay mint	211
Statement of salver bulbon tendered for comage to Bom mut, May 1861 to Apl 1864	212
Appendix 1, Capt Hade, Muster of Cal Mint, to Su C. E Trevelyan, 7th June 1861	213
Sinds proceedings of Magistrate of Howrah in a case of discovery of dico	, , '
Give particulars of two other cases with profit made by comers	1)
l'xtract from proceedings of Mugistrate of Howrah bearing on case	214
Capt 11 h, Off Dep Com of Ambala, to Col Sir Herbert Edwardes, 24th June 1864	"
I'm ficulars of a case of coming moliurs occurring at Jugadree	"
Inference from mutilating sovereigns, that sovereign might be made legal tender	216
Coming not confined to Jugadree but extends to Della, Roorkee, &c	33
Heads of evidence given by some of the parties arrested Resides Texpore molairs in hills, Moorshedabad molairs uttered in plains)) 910
Appendix 5, Mr. II 1) Phillips, Collr of Tanjore to Madras Board, 10th June 1858	218
Imbility of incernsidars to pay their rents from searcity of silver	"
Proposes that sovereigns be accepted at par in payment of revenue	"
Extract from Madras Beard's proceedings of 22nd June 1858	219
Forwarding to Government Mr. Phillip's letter with recommendation	"
Order of Madras Gott thereon, 24th June 1858, referring to Acett Gen for report	"
Mr. C. T. Prendergnet. Acett Gen to Govt of Madras, 25th June 1858	,,
Suggests that orders of Supreme Govt be taken, receipt of gold being prombited	220
Theler excessioners of case, would receive sovereigns of par	"
Mode we which sovereigns received as revenue, should be dealt with	"
Order of Madras Government, 29th June 1898, sending Accountant General's letter	
Almongst Roard, to Collector of Tamore	"
Asks if pressure is likely to last, Beard to give full information	,, 991
Mr Philipps, Collecter of Tanjore, to Madras Board, 23rd June 1858 Lorunds statement of sourceigns offered in payment of kists in 14 out of 16 talooks	221
I WER UTILE ELUIDIDE OF POLICICION OUTLING IN NUITHOUS OF THESE AND	33

GO1 INDEX

	LYSE
COLD CURRENCY-continued	221
Merchants ask to poy salt and customs does of Government in sovereigns	221
Mr Phillips, Colly of Tanjore, to Board, 25th June 1858; att. of remaining talooks	242
Mannes Hoard to Covernment Ind July 1000, submitting Confector a letters	223
Order of Madras Govt. 14th July 1858; subject to be considered on receipt of report	
Mr A Hathaway Acting Collector of Madure to Madras Board, 9th J ly 1868	-
Sovereigns not tendered, being probibited; gold largely introduced in District	
Mr D Mayne, Acting Collector Tenesusy to Madras Board 16th July 1858	-
Sovereigns largely imported from Ceylon; would be tendered if allowed	221
Mr Phillips, Collector of Tanjors, to Madras Board, 24th July 1868	
Paddy staple of trade with Ceylon; remittances by Accountant General a bills	*
Now remittances made in sovereigns, and falling off in bills Another cause of scarcity of allver extinction of Tanjors Raj	_
Further cause, curtailment of expenditure for public works	**
Reasons for believing that large influx of sovereigns will continue	225
Withdrawal of prohibition will raise value and aid circulation of gold	-
Mr Phillips, Collector of Tanjore, to Madras Board, 6th August 1858	-
Reports collections in sovereigns of Keevalore talook out of total arrears realised	"
Medres Board, to Government of Medres; Revenue Consultation, 14th August 1858	-
Points of correspondence, private imports and exports of sovereigns in three years	2*6
Government of Madras to Government of India, 14th September 1848	228
Asks permission to receive sovereigns where necessary for collection of revenue	_
This allowed in Tanjore as a temporary measure, for reasons stated	220
Mr Prendergast, Accountant General, to Government of Madras, 28th September 1858	,,
Forwards letter from Collector of Tanjore with remarks	-
Asks that Collector be allowed to pay demands in soveraigns when silver insufficient	230
Mr Phillips, Colir of Tanjore, to Accountant General of Madras, 18th September 1858	-
Asks, under electrostances of districts, to be allowed to make payments in sovereigns	,,,
Order of Madrax Government, 22nd September 1888, permitting issue of sovereigns as	
a special case	231
Govt. of Madras, to Govt. of Indls, 22nd September 1858, reporting for information	*
Mr Prendergast, Accounts of General, Madras, to Gort. of Madras, 14th Oct. 1858	233
Particul re of sale by Sub-Treasurer of gold received from Tanjore	17
M dras Government order thereon, 29th October 1858; letter recorded	
Government of India to Government of Madras, dated 1°th October 1858	
Asks on what grounds Rs. 10 was summed as par value of soversigns	233
Proper course if necessity rose, to receive at market value Doubts necessity at Tanjore not scarcity of silver but pletbors of sovereigns	-
Attention drawn to prohibition; sovereigns already received, to be sold	-
Order of Madras Gor 5th November 1858, prohibiting receipt and large of so ereigns	231
Mr Prendergalt Accountant General, Madras, to Govt. f Madras, 13th Nov 1838	
Iles isseed orders to Collector of Ta Jore ; explains why Its. 10 taken as par value	23.
Bale of sovereigns received from Tanjors has resulted to cles gain	
Gott. of M dras to Gort. of India, 27th November 1858, sending Acet. Genl. a letter	-
M Prendergast, Accountant General, Madras, to Govt. of M dres, 5th F h. 1849	236
Reports result of sale of sovereigns from Tanjore showing a profit	-
Covernment of M dras order 25th February 1859; letter recorded	*
Mr Prenderment, Accountant General, Madra, to Government of Madra 4th July 1830	237
l'articulars of sale of further remittance of soversigns from Tanjore	**
Chriefmoent of Madras onler 16th July 1650; letter recorded	
Mr Prendergast, Accountant General M dras, to Govt. 7 Madras, 9th Sept. 1859	238
Particulars of sale of further remittance of sovereigns from T njore	*
Owerament of Madras order thereon 21st September 1850; letter recorded Removandum of Members of Madras Board of Revenue May 1804	-
No means of forming an opinion on expediency of gold currency	
Opioion based on general views; no reports from local officers	239
Prices of produce high; money received boarded, hence scarcity of silver	-
I aper currency gives little relief from difficulty of change at treasuries	-
(told in requisition ; gold currency would be experly accepted	
Money accumulating in agricultural districts and no sufficient outlet	
Consequently hearded; gold better for purpose and would set all yet free	_
Apprendix 0; Fistement of remittances received in aid of Bombay General Treasury	
1st M v 186 to 20th May 1861	210
Appendix 7; Memorandom of Mr G Arbuthnot of Treasury 20th August 18-9	210
THE I SELECT IN INCREDITION OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY.	-
To this sy tous the value of Syanish coins used was adjusted	-

	P1.67
GOLD CURRENCY -continued.	271
Sir C. E. Trorelyans minute to be published in Gazette of India at Calcutta Intimation that Secretary of State will be addressed in favour of proposals	
Government of India to Secretary of State dated 14th July 1864	272
Concurs in main proposals; sovereign to be legal tender in India at Rs. 10	
Currency notes to be exchangeable for rupees or sovereigns, not for buillon	*
Immediate effect desired: Indian Mints require apparatus	
Communicat Rombay to Constituted of India, dated 26th August 1884	272A
Forwards conv of letter to Secretary of litate, sending Commander in-Union a minute	
Government of Bonday to Secretary of State dated 23rd August 1864	
Forwarding Sir W R. Manrfield's minuto on Sir C E. Trevelyan a minute	-
Also return from Mint-Master of price of English sovereigns in Bombay since 1830	272B
Sir W Manafield's Min to on proposal of Sir O. E. Trevelyan Is not convinced of soundness of proposal to make sovereign worth Rs. 10	
Question of respective values of gold and sliver in India of great importance	
Mr Claud Brown a view referred to, on point of value of sovereign	PP_
Price of gold in India regulated by price in country of production	27 C
Price of Australian gold therefore rules price of all other gold	
Price in India of sovervign as an article of commerce slightly above Rs. 10-4	
Sir C. Trevelyan's price 21 per cent less than average maintained in market	H
Question raised, who is to bear this loss on every packet of Rs. 10	272D
As long as gold is at premium, people will continue to pay in all or Government as sole loser will be d iven to make all payments in allver	2122
Another objection, 2) per cent. added to national debt; how this follows	~
Furthe result, mints could not obtain gold to carry out the conversion	
Gold coi ed there would be sold at premium, and sovereigns not given for notes	
Result, allver would be imported for currency gold falling to perform its functions	272 E
Doubts if Australian sovereign can be laid down at Calcutta for Rs. 10-2-9	
Value should be taken at average of term of years, not at a particular time	
Annexes return of price of Brit. and Aust, sown. in last 5 years, giving cost of Ra. 10-4	17
Not likely that Australia will give up export duty to reduce price to India Demand for gold for Indian currency likely to raise price of gold everywhere	-
Combat lides that price will be diminished after introduction as currency	279P
Mr Claud Brown elted in support of this objection	-
Intrinsic value the only basis for attaining a gold currency and standard	27_G
Good effects of taking basis of equality as shown by a crages	
Values become fixed, and at length stereotyped by meens of token coinage	
On other hand con craton retarded, and value of gold remains and termined. Equalisation of legal tenders just to holders of silver and of securities.	272H
Depreciation of silver would be prevented, and its currency value kept up	
Equitable proceeding is to give the strange coin its exact value	**
I debts and contracts, a line of silver rupes to be rendered in old representative	2721
In large operations, difference of annus to be considered as well as of rupees	
W t of qualication of value will certainly drive gold out of the economy	*
We must have a gold colouge for I die, letting sovereigns run at their value	*
Sovereign should be used as an ally not usurp the reals of the enpee G ld m it ple of rupes to be minted according to value of rupes only	*
A crage q tations in Bombay of English and Australian sovereigns and har gold	272J
A erage price of Engli b sovereigns, &c., since 1830	27°L
Further tory note on shows returns by Colonel Bullard, bli t Master Bombay	272 L
Government of Korth Western Provinces to Government of India 25th August 1801	273
Forward Board letter with minute of Lieutenant-Governor on a gold currency	
Board f Reces a h W Prose to Goet h. W Prove dated 4th August 1864 Forwards minute of scular member on a gold currency	•
Mr Money admits Mr Huir's reasonings but their application difficult	*
Less in relation to permanent settlement, should value of gold f ll	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
I I probable; qu ation is, India a power to absorb the previous metals	-
Limit will be reached; causes expected to diminish demand for cold	271
Cartoms might make up loss of land rev., but payers of latter benefit at expense of others	*
l i w of f ll in gold, suggests adjustment of values every 10 years Mode in which provision might be made for adjusting values	
Facure permanent settlements to be subject to periodical equalimition	275
Minute 1 Mr W Mair senior member and der hoard V W Poors 92nd Interesti	
CIT C ATT I IN INCARDED BY IN IMportant bearing on permanent settlement	-
b iver being sai, et little depreciation fluctuation of value might be disregarded 1 o with gold; enormous production likely to cheapen the metal	
1 9 with fild; enormous production likely to cheenen the motel	_

INDEZ

	740%
Barge Cracange wareforest.	275
क्षेत्र के तर के कि है के अपने का विकास के कि	276
filler to the first of the manufact was the top to the top to	4.
क्षण कर है। पुरुष है है के देव के किया है कि का का किया की अपने के किया के किया के किया के किया के किया के किय	
다는 그는 아니는 그는 그들은 그들은 그들은 그들은 그들은 그들은 그는 그들은	•
토토 - 2 전 1 도 프로그램 1 1 보고 있는 다른 보고 보고 있는 보고 보고 있는 보고 보고 있는 보고 보고 있는 그 보고 있는 그리고 있는 사람이 되었다. 그리고 있는 그리고 있는 사람이 되었다. 그리고 있는 그리고 그리고 있는 그리고 그리고 있는 그리	
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tanta to the state of the make of the tenteral transformation of	**
A to the book for man to be a to be a bet when you be to the expension to	**
secret a partie to the terror terror to be the case of the fire	•
to me to the high the to the terms of the man the terms of the second	**
There is a first to the many of the first to the state of the same	- 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2
ရှိသည်။ ရှိနှင့် သည် သည် သို့သည်။ ကျည်း ထွမ်းကြည်သည်။ ရသို့သည်။ ရသိုသည်။ ရသို့သည်။ ရသိ	.,
leng - from the stand of the first of the	**
The experience of the feet of the state of	44
و المراز و ا	44
teture seem store carre fitter, then to large east	270
- 「	
ate es es es es es en es es es estats estats estats estats	4 673
होते. पांच ता मुक्त पति के कार्य के कार्य के कार्य के कार्य के लिए जा के प्रतिकार के कार्य के प्रतिकार के किया कार्य के किया के बक्का कार्य के बेट के किया के मुख्य के किया के कार्य के किया किया किया किया की	250
to be the state of the example the best Terrese to less have and the to	**
profest er eren afore et est sontal le retelle la ferrelleta .	•
the recognition of the state of the contract of the previous	**
A contract of the contract of the space of t	**
tion to all the time in emercial transformations.	**
The state of the policy of the control of the period of the property of the pr	**
Attential transaces felses on a test test of a research actification to the cast of transaces.	**
grand garty train the transportation of the contract of the co	**
the second and the second of t	241
If he is a second to the second is a new poor of the contract that there	**
Con a contract of the interior of a the contract of the form of it displace a release .	
from sofe first an emposite gore them existed exit which is nothing	
treners on extension by the New York Mercen Printing and 12th 8 pte abor 1864.	
for a reason has taken so and so say question exped in Mr. Muris minute	7.5
Of the stores of established out of raid and gold on tailer a rious . 25 Therefore the tensishem of sold and well alberton would fall	**
Print engineering to of both metals had reached himt.	282
to very rest of Is his to derect one of Mile, dated 13th deptember 1864	
Lere roung e ar spending with tenseriment of North Western Provinces	,,
Mr G. A delate of rentee on Sir t. L. Leverson's mainte, 16th September 1861 .	253
Dithenly of subject, difficult count tous in India and other countries	7+
Concerds that gold for salver candord is unabjectionable in principle	001
An alternst we me serve of walne, it inicily adjusted, similarly unobjectionable. Remarks on future supply of metals inarliet prices against Sir C. Trevelyan's opinion.	284
No example of alleged sequence of other, then gold, ultimately paper	41
In Britan, Prance and I inted States, paper existed before gold soundard was adopted	"
Subject entangled by uncertain elements suggesting contion	**
Movement of precious metals governed by many contingencies besides supply	255
Natural effect of gold discoveries stated a many great fluctuation	**
These effects followed California and Australia , how irrested or modified . Main cause of disturbance, fortuit as character of trade with 1 ist	21
This described, large remittances of interest adjust balance of trado	**
Su C Trevelynu's dictum of relation of circulation to prices needs to be qualified	256
Want of com has given impulse to demand for subsularly gold currency	
Proposed to case pressure by declaring severeign legal tender at Rs. 10	257
Returns do not prove that large importation would follow at this price	15
Doubts completeness of calculations, conclusions founded thereon erroneous	33
Information on which scheine is founded based chiefly on Mr. Dunlop's paper	"
Merchants guided not by averages, but calculations of present profit	**
Remittance of sovereigns from England to India how governed, quantity an element	288

- " 1	PAG
Gond Currency-continued. Mr Dunlop's calculation of price of laying down sovereigns in Calcutta differs from	
Oriental Bank's	28
Advantage of direct importation overrated; elements not taken account of	
Prime fellow in scheme, that sovereign must be rated at cost from Australia	28
Important to examine this assertion, which is supported by many of those consulted	
Sufficient enswer whole produce of Australia would only supply one-fourth of demand	**
Of gold imported to Britain Australia supplies only a moderate proportion This used to get silver for India, or gold would be sent thither direct	*
Further investigation dealred; experience derived from other nations	200
United States an example of affect on currency of small errors of valuation	19
Account of requisition of currency of United States, 1793 to 1858	
In France double medium of exchange more nearly adapted to relative values	291
Unnecessary to refer to other countries where similar system has prevailed Remarks on application of principle to currency of West Indias	
There the most perfect example of successful adjustment of a mixed currency	**
Paper made use of by Sir C Trevelyan does not bear out his inference	29:
Object with which paper was written; conditions not found in India	
Flements wanting in India for concurrent valuation of gold and allver coins	*
In all cases mentioned, a common prevailing price formed basis for regulating use of	
gold and eliver coins As to sources of supply Ural mountains the chief before discoveries	
Not found that gold was chosper in countries bordering on Russia	
When once cent out, gold becomes of same value whencescover derived	298
Why then is gold relatively cheaper in India, compared with silver than in London?	
Ammer position held by India exceptional; this explained	*
Remove impediment to concurrent circulation, and difference of value will coase Price of silver in London, not of sov from Australia, in Calcutta, point to be considered	*
This the main difficulty in way of introduction of gold convency	*
Experience wanting as a guide; little variation of value in first half of century	
Since discoveries, finetuation; price of silver in London affected by India	294
Rash to attempt at this time to establish gold in the currency	**
A tentative and experimental course, the wisest policy Sovereign to be redeemed at Rs. 10 in paym at of revenue, leading to increased use	*
If officially recognized as currency to be received at varying premium	~
Presaure might be relieved if principle extended to change of notes for sovereigns	
Depositors to be allowed to redeem their gold within a limited time	2 93
Historities arising from delay in coinage of after thus alleviated. Sir C. Trevelyan a practical objection on this point, answered.	*
Eir C. Wood, Secretary of State, to Government of India, 28th September 1864	206
States case; general desire in India for a gold coin obvious	
Practical measure to be considered, establishment of a double standard	297
Putting aside special questions, great objections to proposed messure	-
Cheaper metal becomes standard which elight difference in value may change Franca an illustration; first allver became currency then gold displaced it	-
Question becomes whether cheaper to pay Rs. 10 in allver or by a sovereign	
Two modes of providing sovereigns, coining in India or importing from abroad	208
Mr Brown and Mr Dunlop a papers belyful for calculating cost of sovereigns Doubt if present prices in India are a good criterion of their value	,
Intrinsic value measured by price of allver in European mas kets	*
I rice of gold with charges to India, must raise cost above its 10	-
If sovereigns could be coined in India, more advantage in coining aliver	290
E en imported from Australia, sovereign would be worth more than Rs. 10	-
Contingencies possible which will be more in f your of silver than now Conclusion, proposed measure inexpedient, and would be inoperative	
Former arrangement better recei ing gold at fixed rate at treasuries	*
Value may be fixed at IIs. 10; no loss expected unless price fall below	
Natices of ohl gation which making coin legal tender carries with it	800
Whether advantage or not from this measure to be determined by experience	
Terms for receiving sovereigns and half sors, to be made known by proclamation. Mea are anobjectionable; will at least pavo way for gold currency.	*
Not ficulty of Government of Indi- dated 23rd November 1864	301
If it, it An t. sor and h If sor will be received & rate at transmiss at the 10 ft 5	~
Vification f G crament of Ind a, dated 23rd Appendix 1881	*
Currency note i ed in exchange for sors, and half sors up to one-fourth of reserve	

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学业位为
for the Constance of the constance
                                                                                                                                                                                                                                                                                                                                                                                                                                      3/172
                     Sor C. L. T. cockers's commercial and Tent Newscart of 1813.
                     Here of Sice of States do a few menters, if general solar the cin les don
                      te jere glich a ver remte int bein tit far te bang bit ingen man niber
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                                                                                                                                                                                                                                                                                                                                                                                                                                      Title
                                                                                                                                                                                                                                                                                                                                                                                                                                           **
                                                                                                                                                                                                                                                                                                                                                                                                                                           44
                      And the tent of the second of the contract to 
                                                                                                                                                                                                                                                                                                                                                                                                                                           ..
                                                                                                                                                                                                                                                                                                                                                                                                                                           **
                      Acte de final en elevant das et en en antiques à me transaction
                     Any series to the reservation of the series 
                                                                                                                                                                                                                                                                                                                                                                                                                                      301
                       All rely with and letter lifts and herman or a face
                       The exposer of the period of the transfer of the property of the property of the property of the period of the per
                                                                                                                                                                                                                                                                                                                                                                                                                                      305
                        the many that a to start of the by to that a set to in total
                                                                                                                                                                                                                                                                                                                                                                                                                                          **
                       the track of the person of the north left se, is better.

As no explained to notice telegraphs of the senergy in constitution of the second
                          Note the state of the state of the state of the state of the sand to each balances
                                                                                                                                                                                                                                                                                                                                                                                                                                      206
                        Artenne por em secto begg et rent Centery set e after rishing
                       er je n na rome stara et places ; late pa te gat to a rest out en tilleaten
                                                                                                                                                                                                                                                                                                                                                                                                                                          **
                       It y a so some state of the error of the sold of the s
                                                                                                                                                                                                                                                                                                                                                                                                                                      3/15
                                                                                                                                                                                                                                                                                                                                                                                                                                      3100
                                                                                                                                                                                                                                                                                                                                                                                                                                      310
                       representation of the rest of the first of t
                                                                                                                                                                                                                                                                                                                                                                                                                                          ,,
                                                                                                                                                                                                                                                                                                                                                                                                                                          * *
                                                                                                                                                                                                                                                                                                                                                                                                                                           *
                                                                                                                                                                                                                                                                                                                                                                                                                                          .
                                                                                                                                                                                                                                                                                                                                                                                                                                          **
                          Time have no to decisive energy in end buttle versually of tender at Re. 10 and 5
                                                                                                                                                                                                                                                                                                                                                                                                                                      311
                          to rediffect expersion, will be calved a will be a prest lema
                          As de superior of paney posket if epital in made are high
                                                                                                                                                                                                                                                                                                                                                                                                                                          ,
                          Me Inche we vote in receipt and is no of a ne was and bull and, 9th Murch 1865 . Lecens to from 1st Describer, preparation in General Transacts and over bank counter
                          Of rainfer received 7 5ths Australian, and 4th Hritish sovereigns and half sixereigns
                                                                                                                                                                                                                                                                                                                                                                                                                                      312
                          Chief's it in branch banks next from a Jewish merchant, next from natives
                                                                                                                                                                                                                                                                                                                                                                                                                                         .,
                          Some from Publish firms, in short hold and in he all classes
                                                                                                                                                                                                                                                                                                                                                                                                                                          **
                          Por verte meetly over counter, propertions sent to mint and branches
                                                                                                                                                                                                                                                                                                                                                                                                                                          ..
                          I'm mili soverem as preferred to Anstrulian, difference in alloy little regarded
                                                                                                                                                                                                                                                                                                                                                                                                                                          1)
                          Payments (omitting Agra Ped ) chiefly to native lankers and I mopeun travellers
                          Ascrage in Dee, January and February, excluding remittance to mint and up country
                                                                                                                                                                                                                                                                                                                                                                                                                                     313
                          Transactions with correspondice; smoothed excluding differ inposes
                                                                                                                                                                                                                                                                                                                                                                                                                                          ,,
                          If flow should continue, extreme limit of receive will soon be reached
                          At branches, return from Compore showing rate reduced as exchange
                                                                                                                                                                                                                                                                                                                                                                                                                                    311
                          In other branches exclusion realised, below Coumpare neerings
                                                                                                                                                                                                                                                                                                                                                                                                                                        ,,,
                          Appendix, letters from Campure and Agra Agents reparding price and circulation
                                                                                                                                                                                                                                                                                                                                                                                                                                        ,,
                          Total imports of gold com and hullion to Calentia in 1864, large part Australian
                                                                                                                                                                                                                                                                                                                                                                                                                                        "
                          Subjoins imports and exports of gold to und from three presidences since 1856
                         Statement of imports and exports of gold, April 1876 to April 1863
                                                                                                                                                                                                                                                                                                                                                                                                                                    315
                          Value of imports in leaf, bullion and com larger than anticipated
                                                                                                                                                                                                                                                                                                                                                                                                                                    316
                          Estimate for year 1861 to 31st December, from 8 to 10 milhous sterling
                                                                                                                                                                                                                                                                                                                                                                                                                                        "
                         Inference from experience of 3 months regarding circulation of sovereigns
                                                                                                                                                                                                                                                                                                                                                                                                                                        "
                          Use of sovereign will not promote extension of ten-runce notes
                                                                                                                                                                                                                                                                                                                                                                                                                                        "
                          An important fact, that in past fortnight £150,000 received in sovereigns
                         Detailed statement of sovereigns sold by Caumpare Branch Bank
                                                                                                                                                                                                                                                                                                                                                                                                                                    317
                          Mr. Kennedy, Campore Agent, to Secretary, Bank of Bengal, 9th February 1865
                                                                                                                                                                                                                                                                                                                                                                                                                                    320
                          Could dispose of £2,000 worth of gold every month in bazar
                                                                                                                                                                                                                                                                                                                                                                                                                                         ,,
                          Price of gold non current, range seldom above 4 annas per tolah
```

nd Currencycontinued. Mr T Dyso Agra Agent, to Secretary Bank of Bengal 20th February 1865	82
Demand for local use slight; estimate of monthly sales 200 tolahs	,,
Descriptions readily saleable, China leaf gold and English sovereigns	,
Agra tolah weight compared with Company's of one super weight	**
Sovereigns never fall below its. 10; shroffs will not take less when sold, melted	
Fluctuations at famine period and during height of cotton manla	32
Quantity that might be disposed of; present rate at branch Rs. 10-1 6 Remittance in English sov reigns desired Australian not in favou	
No advantage in gi ing sovereigns for bills at one month a sight; why	_ :
If branches set up at Delhi and Hmritsi a good business might be done	
Mr E D J Kara, merchant to Secretary Bank of Bengal, 9th March 1865	-
Sova received from Erypt, da., mostly English, to purchase indigo and Dacca piece goods	٠
Govt of India, to Secu Bank of Bengal, 23rd March 1805; thanking him for letter	
Government of India to Secret ry of State 21st March 1865 Forwarding copy of Bank letter and settle g forth its main points	-
Sovereigns paid t Ra, 10 a many currency offices as well as treasuries	82
Proved, that to declare sors, legal tender would not be inoperative in great part of India	
Proposes to declare it such throughout British dominions	
Si G Wood, Secretary of State to Government of India, 17th May 1865	32
Points of correspondence with Bank recapitulated; despatch of 26th Sept., referred to	3"
Hereipt of sovereigns sanctioned by that despatch only as an experiment	
Does not think time has arrived fo a further tep in dvance. That sales have been effected at branch banks at premium no proof	
This only shows that real value of sovereign is well understood	n H
Desires that sovereigns accumulated in depts, be transmitted to England	
Mr R. P. Harrison, Accounts t General, India, to Gost f I dia 7th Sept. 1860	87
Forwards 1 ther from Bank of Bengal on arrangements to send home soverrighs	_ =
Mr Dickson Secretary Bank of Bragal, to Associated General, India, 7th Sept. 1800 Details arrangements for sending 16 lakha of sovereigns to England	, ,,
Government of India to Secret ry of St t 8th September 1845 reporting reaugement	4 8Z
Accountant Graceal India to Government of India termarding Da k'a letter Mr Dickson, to Accit. Genl., India 9th Sept. 1805, adrialog shipme t; list of policie	
Mr Dickron, to Accett. Gent., India 9th Sept. 1805, advising shipme t; list of policie	. 82
Government of India, to Secretary of St to 25th September 1805 forwarding the above	
Sir C. Wood Sery of State to Goet of India, 30th November 1865 Remittance received, and delivered and disposed of at Bank of England	**
Bengal Chamber of Commerce to Gort, of India, 23rd January 1866	33
Resume of proceedings up to leave of n tification of November 1864	
Gold coins not maintained in circulation, because not made legal tender	
Of opinion, that legalization of tender at lis. 10 best course to be followed	. 33
Suggests investigation of whole question by a mixed Commission	**
Enquiry to be extended to circle system of Govt. Paper Currency Govt. of India, to Bengal Chambe of Chamerce, 1st Pebruary 1860	
Concurs, but would direct attention first to operation of XIX of 1801	_
A k f r names of two mercantile members to be nominated	33
Ben Ch m of Com to Gart of India 3rd Feb. 1880, naming Mr Bullen & Mr Cowl	. "
Resn. of Gord f I die 3rd F b 1800; subject of engulry; Commission appointed .	۰ ـ
If Carlow Secy to Currency Com., to Gort of Indi 4th October 1800	33
Submitting report of Commission; appendices will follow the port of Commission to enq ire into operation of XiX of 1861	33
I recording of Commission; large mass of evidence collected	
Question in circuit and epitoms of Secretary précis of answers	83
Inferences from wide field of enquiry and unanimity of opinion	83
People not calcusted to ose of Paper Currency but extension not despaired of	-
Extent of capital employed by Banks not ascertained, but very considerable for banking system has taken hold of presidency towas, and is apposaling around	-
Canners which retard the free circulation of currency notes	. 33
Further action rests with Fin neial Department; augrestions for larger reform	
Preponderance f opinion in f or of a universal note; difficulties in way	่ จ∓ี
Agency in circulation to be con idered, including employment of Ha ka	71
In regard to b lippers note number of opinions slightly in its favor	-
But preponderance of ar sument against it, foeleding unjurity of Commission Att attenderance of ar sument against it, foeleding unjurity of Commission	
Att ation drawn to opinion and arguments of Baboo Ramgopal Chose on subject On introduction of gold, points generally established given in seven heads	. =
Commission hope Government will persevere in policy of despatch of July 1864	. 51
Price of mobur fixed by XVII of 15th nearly the present average price	

	\$40¥
Cransulting the district of the control of the control of the death of the control of the contro	212
E THE POST OF COLORS CARES OF STARTS OF A PARTY SERVICE STARTS OF SELECTION AND AND AND AND AND AND AND AND AND AN	333
From Cate and test of the standard to the first test to the test test to the test the sold	315
the same and the same to the first the same and the same a	4,
Land the state of	335
The many the first the contract of the first	44
हुँ भारत में है	• •
	346
The title of the state of the s	**
A STATE OF THE STA	Υ,
the standard and the second se	,
भेरी के दूर में प्राप्त भी दर्श के में भी की हैं है कि कि की महिर्माण भी ने वर्ष के कि पिर्ट 10	••
te a fact to the first of the executive of 1867 to 18 1	254
Recorded to the second of the sections	255
English the transfer of the test of Mart Motor	4+
The it acted a total a total to a total and the sales 1876	356
The total of the second of the second of the second of	,,
The Jan France be to a faceners formeral Commission latter to Siever &	357
The it of thempe to be a second established to be force on at the Collection that	**
the region of the residence of the state of	
·《···································	**
ter it escape and a little to be a company to the terminal state of the company o	
A second of the state of the second of the s	734
as a les the area to meet the fire of the area to the state of the	569
I as a few the second constant of a second confidence	361
ing the state of t	**
to a girm of the contract to the ear and other atomized	762
The filter, at wase in we tested, to the perfect engled parties	?
The the contract of the shorter of the configurations that he had the	**
. જુંદુ : ૧ - ૧ - ૧ - ૧ - ૧ - ૧ - ૧ - ૧ - ૧ - ૧	म्या
Alexander of the state of the s	**
The first and the first and the second consists of the second consis	71 1
The same of the second of the new letter than the second of the second o	361
There is a broken book of the first of the form of the first the first transfer the first transfer the first transfer the first transfer t	
At M I rill no, or held file to the the first for the of Hon, 12th Nor 1868 .	១៤៩
Asia I come no execution to are on a situate transformation of Oct. 1509	
Per begreef refere effects each diegen Builtingerment with toot	366
Please the little control erture en le lie der nierte sperified	11
A'rest of it does not provide for fit ingrated in a name and accomulations	77
Past wear of the is hear Proposed of forther of mentions expected	**
Lead to the mould be expliced too to a equal terms with public	367
Shows has accompletely of see would refu collowance made to Book	269
8 of his of Book endactered compares as to intention of indirection	
All harmes for continuous of gold community light tender	**
Of mon of Mr. M 1651's on the subject quoted	74
Gove a real of India, to Government of his dan dated 9th January 1569	369
Points out how inconseneared apprehended from notification may be obsinted	1)
Does not expect by a necommulations with reference to much of prices	>1
No intention to interfere with agree mant already made with Bank	**
Gort of India to Mint Masters, what to do with rive accumulating in Currency Dept	370
To Compt. Gent., Head Commer of Currency, Accels Gent and Commer, of Currency Circle officers to give notes or silver for sovs, but not to pay out sixs.	371
Lt Col Hude, Head Comme of Carrence, to Gort, of India, 14th Juniary 1869	
Or has will be corried out - asks instead tong in exerting exerting exerting	23
Goet of India to Head Comme of Paper Currency, 4th Ichruny 1869	372
Intention of Government explained, orders to be interpreted accordingly	
Little or no loss likely to be incurred from converting sove, to Ludian pieces	373
Sugnorage not to be charged to treasury nor to public on sous tendered as bullion	374
Opinion asked on point, and on question of no charge for coming gold bars and bullion	"
Not likely that treasuries will be inconvenienced by gold accumulations .	17
Should this happen, treasuries to send them to mint for coinage))
Other contingencies provided for, further measures hereafter .	375
Minute of Sir R Temple, dated 5th June 1868	,,,
Opening remarks, why notification of November 1864 failed	,,

	**
GOLD CURRENCY -continued	3
Question now whether rate profferred should not be raised above Rs. 10 Amount received at treasuries; average market value discussed by Sir W. Mansfield Quotations from Sir C. Wood, Mr. G. Arbutinot, and Sir C. Trevelyan	
Proposes that local Governments and Mr. Dickson be consulted as to rates	8
Act XVII of 1835, section 7 quoted as providing a gold place of Ra. 10	8
Passages cited from report of Commission and despatch of Sir C. Wood	
Question, if proclamation of 1852 is longer needed, or should be withdrawn	
Means of ensuring a sufficient supply of gold for coinage	8
Government might take power to declare gold coins legal tender at proper time	
Attention to be given to a combined system of international and decimal colorage Before declaring legal tender would await effect of receiving sova, at revised rating, and coloing gold pieces	
Proposes confidential reference on these points to local Governments and Mr. Dickson	
Members of Government of India agree to shove proposal	8
Government of India to Local Governmente dated 30th June 1888	1
Asks for opinion on the several points mooted by Sir R. Temple Points—1st whether equivalent of Ra. 10 for sovereign should now be revised	8
Competent persons to be consulted as to previous sets for sourcefull	3
Competent persons to be committed as to precise rate for sovereign 2nd, whether prohibitory proclamation of 1862 should not be withdrawn	٠.
3rd, whether standard value of XVII of 1835 or some other should be taken	8
Government not prepared to declare logal tender till effect of tentative measure is seen	,
But will consider any special reasons to fever of it	~
Government of India, to Bee etery Bank of Brayal, 30th June 1868 Forwards correspondence and invites Mr. Dickson e opinion	8
If Dieksen of Bank of Beng L to Sir R. Temple 10th August 1883	
To excourage importation of gold better than to restrict that of silver	;
But sucress doubtful, without declaring severeign legal tender	,
htate of things exceptional; market will revert to normal condition	
hot rafe to be guided by price of guld in few years ending in 1864	•
Latest quotations of everage for first six months of 1868 Average price of soveralgu and of gold 25 carats fine in 1887; mean of 8½ years	35
While allver a better resultiance than gold, little of latter will be sent	
Secretary of State and Sir W. Manafield quoted; mean everage	
So long as gold is not made legal tender its value must florinate	
Question considered, lst, will it pay importer to part with gold at Rs. 10-4? Reasons why importation at this rate will not be free and cartain	
But not much risk of loss to Government; Inconvenience how to be averted	3
Nield of gold remitted to and from England, and rate of Secretary of State's bills	
Prefers sovereign made legal tender at R 10-4 along with Indian coin of Rs. 10	
This rate, though without legal tender safe and an improvement	,
Second, coining 10-rupes pieces at or about standard of 1835; Act atill nurepealed	88
Orders of 18 il and 1852; if value unsitered, Scoy of State's montion not required 3rd, sending sovereigns for re-coinage, and bar and builton to be coined in 10-rupes pieces	
Indian sovereign, exact multiple of rupee very destrable though English sovereign	•
rated at 1 s 10-4	
Fourth sovereigns and pieces being got into circulation, to make them legal tender	H
Omears fully but difficult to set measure affect without legal tender Fifth, whether gold piece will become sole atandard, and allver a token	-
Considers gold piece to have every chance of making its way	
Why safer to value sovereigns at Rs 10-4 than higher if not made legal tender at once	38
High price of gold due not to rise in relati e value but to low rate of exchange	
When exchange returns to normal state, large import of gold expected	
Present why a favorable opportunity for rating averages at Rs 10-4 If result prove unfavorable no great loss in sending gold to England	-
Appendices I II, and III of letter described	38
Table of market price of gold bullion and sovereligns in Calcutta, 1863 to 1865	30
Average rates of exchange Cal. on Lon. for 6 months bills, and rates of discount, 1838	80 80
to 16.66 Empe continued, 16.6 to 1866	20
Evidence of Assay Master before Select Committee on high price of bullion	40
Evidence of Dr. helly on relative value of cold and allver in En. land and form, countries	40
it lative value of gold and aliver in England and foreign countries by mint course	40
Users of Homologies Gerr of India 14th Sept. 1863, field correspondence	40
DUMBER Of Chillogs : COCURTERCE that level sender is necessary	

	PAGE
OED CURRENCY,—continued Opinion of Governor in Council, unable to suggest answer to first question	403
Legal tender should apply generally, not to receipt at treasures only	404
Proposes gold pieces of standard of Act of 1885, and declared legal tender .	,,
Sove to be reed at treasures and Currency Offices at market value, subject to alteration	n "
Objections made to double standard why not fatal to its adoption	• 22
	., ,,
	. ,, . 405
1st, introduction of sovereigns at Rs 10 impracticable, grounds for this opinion 2nd and 3rd, rate to be taken for sovereigns and gold pieces not easy to determine	406
Whatever rate may be taken for sov, relative value will fluctuate	. 200
Safest plan to take average rate of bullion, as shown by Currency Commission	. 22
T and Dalbanarda masslamation of 1000 analogd of follows gold has mean	,,
Retuining rupee as alternative legal tender will check advance in gold .	407
This, with gold direct from Anstralia, will keep price in equilibrio	,.
Hoarded gold would be brought ont, if gold possessed a currency value	23
On whole, would come pieces of Rs 10 and 5, with one-tenth alloy	• 22
Sovereigns to circulate at rate which they may bear to Indian coin	·_ "
4th and 5th, not only desirable, but necessary to make gold legal tender Otherwise, same result as in 1865, accumulation of gold will follow .	*** ***
Public led by Government, no step safe without giving gold currency value	408
Would not make gold sole tender at once, how this would defeat object.	,,
Gold to be introduced by degrees, silver being alternative standard .	. 409
Difficulties of double standard largely fanciful, in this case, unavoidable	. 22
Proposal to introduce English system in its integrity open to objections	,,,
Rise in silver a few years ago checked by falling off of exports and new mines	410
Another advantage of gold, facilitating circulation of currency note	411
Advantage would be better seen if circles of issue were amalgumated Col W F Marriott, to Government of Bombay, 27th August 1868	412
Review of general question, remarks defining general purpose	
Inference—right to use gold as money, more important than actual use	413
Another part of purpose, is gold to be substituted for silver, or both used?	, ,,
Infancy as from remailer immediate numbers should be free use of both	. 414
Two objectious to latter inference stated and answered	, ,,
Double standard an inconvenience of no importance, necessary for introducing gold .	416
	,,,
Objectious to 4th, 5th, and 6th courses, 2nd and 3rd the only admissible ones These re-stated, viz, rate for sovereigns, and standard value of gold pieces	. 417
Consequence of too high or too low rate, intermediate rate, true value	, 21
But this relative value not constant, causing loss to outweigh convenience	418
Knows of no measure of value of convenience, compared with that of loss or gain	٠ ,,
Of opinion that to bring in gold without legal tender is useless trouble	419
Only course, a double standard, maintaining ripee as real one	•• 37
Exclusion of silver no present need, double standard unavoidable	·))
Mr J Stuart, to Government of Bombay, 3rd August 1868, is in favor of gold current Exchange regulates shipments of sovereigns from Australia more than price of gold	•
Sovereigns remitted to India by Australiau Banks, as mode of remittance to London)))1
Failure of notification of 1864 due, not to value fixed for sovereigns, but to other cause	es "
Uncertain value and difficult conversion, the bar to use as remittance .	421
If of fixed value and made legal teuder, sovereigns would supersede silver	•• ,,
All necessary is to make sovereigns and half-sovereigns legal tender at Rs 10 and 5	• 33
Present high rate owing to fact that there are few in the country Introduction would be easier if legal tender declared at Rs 10-4	33
Is in favor of mint issuing gold coins of value of Rs 10 and 5	***
Mohurs might also be issued at Rs 15, but sovereigus more useful	• ,,
Mr. M Nathoobhoy, to Government of Bombay, 17th August 1868	422
Gold currency desirable, difficulties expected from finctuating value	,,
Notification of 1864 failed on account of low price fixed for sovereigns	,,
Would have Rs 15, 10, and 5 pieces of standard value to allow sovercigns to be Rs 16 Mr G Foggo, to Government of Bombay, 28th August 1868.)8 "
Is unable to name any rate for sove to be taken without loss	423
Same objection in regard to gold pieces, if not made legal tender	
Question of legal tender involves double standard, depiceates latter	»
Evils in operation of a double standard, pointed out	21
Mr C E, Chapman, Offg Accil Genl, to Govt of Bom, 26th Aug 1868	421

		PAGE
GOLD CURRENCY -continued.		494
Forwards his own and Mr Gay's memo, on subject Mr C E Chapman, Accountant General's Memo, on gold currency		
Omestion considered apart from element of legal tender		"
Government by receiving gold accepts disadvantages of tender without advantages		**
Proposal stated; would have a fixed period in proclamation		
Doubts "convenience" of gold; allver as acceptable; notes obviate bulk		435
Rate to be fixed a difficult question; present price of soy a fancy price Doubt if Rs. 10-4 would have effect; would fix Rs. 10-8 or 10-8 for three months		3
An regards new coin, observes that gold shows tendency to rise	••	~
In regard to legal tender along with silver quotes Mr Wilson with approval	**	428
Mr E Gay Off Depy Acett Gent. Meno on gold currency 8th Aug 1868		-
Subject difficult and information acanty; reasons for preferring sov to gold place		.=
Would commence with Ra. 10-4, and not lower it without notice	**	4.77
Market price no safe test of value; few available, sold at fancy prices Effects of measure on paper currency; eaching notes difficult if gold overvalued		*
Government of Bombay to Government of India, 28th September 1888		13 M
Forwarding letter from Mr E. Morris, Agent of Agra Bank		~ =
Mr E Morris, Agent, Agra Bank to Government of Bomboy 10th September 18	68	
Reason why plan for attracting sovs. will end in disappointment		423
Would draw from India itself a portion of supplies for gold circulation Rough estimate of bullion available in India		*
Cost of leving down are in India among presented by London exchange rate		~
Cost of laying down sor in India; supply governed by London exchange rate Declaring nor legal tender not of itself sufficient to promote gold	-	459
Most desirable plan to establish gold currency with standard of sovereign		
Good effect of a fixed gold standard; mint not to look for profit		-
Mint expenses how met; action of Government indicated		400
Effect of gold standard on bulllon boarded and on practice of hearding Gold standard and Ruit for effect would force sore into circulation and bull	llon	430
into mint	11014	н
Effect of gold standard on relative positions of debter and creditor		
heccesary that sore, should be demandable, if any change made		
Any gold colu other than English soy would only cause complications		-
Difficulty may arise from India s capacity of absorbing precious metals If suggestious adopted, Government and mint to be prepared for the occasion		431
Mr J Taylor Seey Bom. Chamber to Goet., Bombay 14th Bept, 1868	100	401
Chamber decidedly in favor of gold currency; mode of introduction the question		
Simplest mode to coin pieces of Rs. 10 and 5 and declars them legal tender		,
Would not coin 15 and 30 Rupes pieces, these being obsolete		
It lative value of gold and silver not altered materially from that of the Act for cannot be admitted at Rs. 10 without raising value of the rupes		433
This a great danger as well as artificially raising its value		-
Only safa course to let sors, be paid into treasuries at Rs. 10	н,	-
No plan that can be devised will succeed without making gold legal tender		433
Evils of double standard theoretical; not to be allowed to stand in way	•	
Mr T C. Hope Collector of Surat to Goet of Boss., 25th Sept 1868 Records native public opinion in Canerat, especially Surat and Ahmedabad		~
Interference with existing supes colungs would be highly unpopular		*
Gold coinage should be multiple of super; pleces of Ra. 10 and 5 under Act propose	d	~
These pieces of little favor and use unless they are made legal tender	-	
Can come ire no reason why Government should waste time in experiments	**	431
Evil of double standard exist chiefly on paper and in imagination Consinced that legal tender gold piece will be taken at full value		*
Price of sovereigns; fluctuations show that high price is due to scarcity	-	~
True price of Rs. 10-4 the only proper price for Covernment to receive it at	٦.	~
If gold pieces made legal tender question of sovereign is unimportant		-
Cert of Bom, endorsement submitting above to Gort of India, 28th Sept. 1863 Sie R. Temples minute dated 25th September 1868		43.
Kotices replies received to circular; replies from Madras awalted		•
Time come for polification offering sovereign at Re. 10.4; this at least auto-	***	~
Proposal regarding a fresh polification sanctioned by G vernor General in Conneil		436
a i) K, 21 au fi (4's minute; dissents from Mr. Strachev's views		437
to necessary to a k Secretary of State a permission to coin gold. This power given by law to Miot Master when ballion is brought	***	-
Proposes that gold columns proceed after issue of notification		-
· · · · · · · · · · · · · · · · · · ·		-

	PAGB
GOLD CURRENCY,—continued Sir R Temple's minute, 20th October 1868, submitting draft notification	437
Question of coming gold pieces to stand over for the present.	438
Answer to Mr Strachey on question of reference to Secretary of State	"
Notification, dated 28th October 1868, modifying that of 1864	"
Notification, dated 3rd November 1868, correcting an erratum	439
Govt of India, to Secy of State, 23rd Dec 1868, summary of past despatches	,,,
India never without gold coinage, Act XVII of 1835 put it on legal footing	440
Temporary success of notification of 1864 owing to state of exchanges	99
Since 1864 65 notification has ceased to have effect in bringing in sovereigns	"
Cause of this, that offer of Rs 10-4 is below the market value	"
Further reason for revising value of sovereign, equalizing it with pieces of Act Determined to receive sovereigns at Rs 104, this notified accordingly	441
Reasons for not fixing higher rate, scheme promises well	
Indian gold pieces also notified to be received at valuation of Act	.,, 442
Apprehension of 1852 groundless, comage going on notwithstanding	"
Fin Dept to determine what to be done in event of superfluity of sovereigns	"
Experience will show whether sovereigns or Indian pieces are preferred .	,,
Hitherto 15-rupee pieces coined, intention to coin 10 and 5-rupee pieces.	443
Present measure tentative with view to declaring gold legal tender	"
Mr Strachey dissents from substance of despatch, minute will be sent	79
Govt of Madras, to Govt of India, dated 30th December 1868 Forwarding minutes of Govt and Mr Arbuthnot, and letters from others	"
Col J Carpendale, Mint Master, to Govt of Madras, 16th September 1868	"
Enquiry in three heads, chief obstacle, gold has fixed value out of India	444
In South India, gold commands price in excess of European intrinsic value	"
At Madras, difference is in favor of English sovereign on account of its color	
Sovereigns have higher price than gold in another shape, from mint stamp	$4\overset{"}{4}5$
In the provinces, price of gold varies with caprice of the people	,,
Intrinsic value apart from other elements in relation to silver	"
Increasing seighorage on silver will not cause sovereigns to be paid at less than value.	446
Question considered of cost of sovereigns imported from Australia and from England Par value of sovereign or equivalent quantity of gold not likely ever to be Rs. 10	447 448
Less than Rs 10-12 as equivalent will fail to bring it into Government treasuries	
If it were so, still not a success, while not circulating generally	4 4 9
Whatever gold coin may be decided on, should be declared legal tender	,,
Thinks tables appended to report of Commission give incorrect values of sovereigns	"
Relative value of gold to silver thence deduced not strictly correct	,,,
Value of sovereign, of moliu, and of 10 rupee piece, similarly deduced	450
Special gold coin of exactly Rs 10 value, the most appropriate medium Advantage considered of importing gold in preference to silver	451
Would abandon seignorage on gold to give it advantage over silver	"
Remarks summed up, Rs 10-12 should be fixed as value of sovereign .))))
Prohibition to receive mohurs to be withdrawn, smallest price to be Rs 15-11	"
Ten-rupee gold com best calculated to meet with general acceptance	452
Mr J D Sun, to Government of Madras, 22nd September 1868	,,
Of late there has been great increase in imports of gold and silver	"
Exceptional state passing away, and metals reverting to normal standard Peculiarity—large portion of silver exported, bulk of gold remaining	"
Prices of sovereigns from 1860, showing how impossible it is to fix an equivalent	,, 453
Does not think lower equivalent than Rs 10-12 would meet the object	"
is not in favor of receiving sovereigns at treasuries at fixed value	"
Value cannot yet be safely predicated, if not legal tender, rate might be safely raised to Rs 108	••
	22
But to encourage introduction, no less rate than Rs 10-12 sufficient Instead of proposed measure, would have gold as a marketable commodity	454
2nd, at what standard value should Rs 10 gold pieces be coined	>>
Does not see how equalization with Rs 10 in silver can be effected or maintained	"
Fluctuations always expected while silver is falling and gold rising	,, ,,,
No middle course between making gold legal standard or retaining silver as it is	,,
Time not come for change, gold would not displace silver as circulating medium	"
One effect, to drive out paper currency, confining it to remittunces	"
No objections to mohurs being received at legal value, but not likely to succeed Memo by Col C A Orr, object of enquiry as understood by him	455
Case of France, value of gold to silver greater in market than in coinage	
	**

	ATTIE
GOLD CURRECT —conlined.	455
Silver alone came to be employed, and gold almost disappeared After discoveries, gold declined in market, and became medium of payment	466
Three ways of introducing gold; lat, legalizing sovereign at equivalent to silver	
2nd, issuing Indian gold pieces of Rs. 10 at price of metals in London	
See modifying seignorage so as to raise value of silver rupes	,
In first case, value of sovereign must be fixed, not at price in India, but in Europe	
If English sovereign adopted, coinage must be extended to Indian mints	457
Sekroorage now charged will have to be abolished, as in Sydney and London	#
This to be taken account of in calculating value of sovereign in rupees	
In second case, value of gold piece in rupers how to be calculated	e .e.
In third case, seignorage on aliver how far to be increased, to equalize value	. 468
Conclusions arrived at, summarized	459
Assumed that silver bears a fixed price in European markets, but this not so	29
Mintage charge on silver must vary to keep metals at par	460
Gold likely to be imported if again displaced by allver in France Madrae Chamber of Commerce, to Government of Madrae, 5th October 1868	
Confusion in accounts and inconvenience will follow any new rate	481
Would make no further attempt to encourage circulation of sovereigns	
Standard of value of Act of 1835 not that which should be adopted	,
That was average of years, but gold has risen and is still rising	~
Would fix on something below commercial par of the two metals	
Ten and 5-rupees pieces most desirable, the latter especially	144 M
The gold pieces should be made legal tender throughout India from first	
Mr Remissger Superintendent of Stemps to Government of Madres 6th Oct. 186	8 463
Till sovereign mada legal tender impossible to fix equivalent rate	,
Whatever rate fixed, it will not answer while market price varies	··· /
Does not think coinage under Act of 1835 will be more successful	463
The coins not being legal tender would be as much bullion as before	
If feasible, and successful, doubts if measure proposed is desirable. Does not think it convenient to have any coins but sovereigns	464
If gold to be introduced, no half measures will be effectual	
Call for a gold currency almost universal amongst the people	ы я ы я
Reason for thinking money markets would not be deranged by flow of gold	,,
Markets disturbed by depending on effect alone and handling gold from currency	465
Change from allver to gold will not be sudden; transition period of double standard	
Would declare sovereign and half-sovereign legal tender at Rs. 10 and 5; silv	er er
regulated as copper	н
Mr J A Arbathact's minute, dated 30th November 1868	
Question slated; measures to obtain opinions of competent persons	400
Conclusions arrived at from reading papers containing the opinions	
lsf measure will not succeed unless sovereign made legal tender 2nd a varying seignorage to be imposed on silver at commencement	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
and whatever gold coin may be used must be made legal tender	467
Reasons rendering necessary a varying seignorage on silver coinage	-
This the only convenient mode of meeting variations of market value	. ,
Fasential, that my coin introduced abould be made legal tender	
Necessity of this shown; opinions of Col. Smith, Mr. Massey and Madras a	od
Bombay Chambers	
On these conditions, no serious difficulty in introducing gold currency	. 468
Two ways; Let making sov legal tender at Rs. 10, seignorage on gold abolished as	ઝ ઘ
on silver raised and, pieces of Rs. 10 and 5 of present value of allver with varying seignorage	
First measure supported by three Mint Masters, as of great practical convenience	,
Major Chesney's objection of fall of prices not so serious as supposed	#
Objection of effect on rate of exchange stated, with remarks thereon	. 409
Another objection, risk of sudden demand for exportation to India, on a crisis	40
A distinct coin for India will retard adoption of generally current coinage	471
Confusion of accounts the objection to sovereigns at any but Re. 10 rate	#
Notification valuing sovereigns at Rs. 10-4 not likely to succeed more than that of 180	G1 ,
ica. 10-5 lowest likely rate but effect doubtful. If not made level tender	11
In regard to standard value of gold pieces, agrees with Colonel Orr's memorandum	#
On whole to declars sovereigns legal tender at Ils. 10 with enhanced seignorage of allerer best mode of introducing gold	
Present why a favorable time for introduction of cold ourseness	. 114

	שומש
GOLD CURRENCY,—continued.	PAGE
Minute by Governor of Madras, dated 7th December 1868	472
Concurs with Mr Sim, but differs on expediency of a gold coinage	"
Not needful to receive sovereigns at fixed value, revenue must be taken in legal tender Impossible to fix value, rate of Rs 10-4 will not draw in large quantity	"
Rate should be at once Rs 10-8 to draw, but would not take risk	478
Only proper way, to make gold legal tender, all else nibbling at question	"
An objection to fixed value, that there are two sovereigns differing in value	"
Government may buy them at same price, but not so dispose of them	"
Ten-rupee gold pieces if not made legal tender, should not be coined at all Without legal tender, question of standard value falls to the ground	"
Prohibition regarding mohnrs may be withdrawn safely, yet no advantage	474
Considers discussions of 1864 to have disposed of general question of gold	"
Reasons still valid, new motive for action, recent discoveries of silver	,, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Sir W R Mansfield's minutes, dated 29th and 31st January 1869	475
Question, if gold-pieces from mint should be passed at par, or sold to public Answer, 1st, true currency principle independent of profit considerations	23
2nd, if mohur sold, it is weighted with a value above the gold it contains	"
3rd, a short time back the same query might have been put in regard to the sovereign	476
Bazar rate expected in time to assimilate itself to Government rate	>>
Expedient, that flow of gold pieces should be without interference of Government .	33 41717
Remedy, should more sovereigns come in than is desirable.	477
Price of sovereigns how affected by state of exchanges before and since 1852 This explains phenomenon of accumulation of gold in treasuries in 1852	22
This consequence expected to follow gold discoveries, but not result thereof	"
Necessary to be prepared for contingencies whenever they may arise	478
Points which may be urged in reply to questions of Colonel Hyde and Mr Balfour .	"
Applicants for payment to have option of taking gold, or silver, or notes	"
In certain cases, Financial Dept may do a good job by sending sovereigns to England Effect of coining moburs in large quantities to be carefully watched	"
Also results of notification, whether gold taken as rapidly as poured in	"
Wise for currency department to hold some sovereigns, and not send all to the mint.	479
Some good effects of this course pointed out	"
Correcting past mistakes, we should have legal tender of gold of value of Act	"
Difficulties of 1852 owing to abrogation of legal tender of gold some years before How gold may take the place it ought to hold in the currency	33
Mr. J Strachey's minute, dated 30th January 1869	"
In October last, objected to notification declaring sovereigns to be received at Rs 10-4	4 80
That minute mislaid, proceeds to state grounds of his dissent	"
Summary of measures taken in 1864 and 1868	,,
Notification of 1868 objected to, because it would have no effect, this shown As no precise rate could be fixed, sovereigns would have a fluctuating bullion value	"
Same conclusion applies to all gold coins unless made legal tender, and rated to prevent	"
being sold as bullion	481
Without legal tender, coin becomes an article of ordinary meichandise	"
Even when made tender, does not lose that character, case of two metals current	"
Discrepancy between notifing of Oct 1868 and Sir R Temple's minute of Jine 1868 Even if gold pieces made tender, another needful condition, relative valuation	"
Proposition to coin gold under Act made by Sir W Mansfield in 1864	"
Passages on the subject cited from his minute of March 1864	482
Similar recommendation by Currency Commission, extracts from report .	21
Real question whether rating under Act is proper rating for new coinage	483
Gold relatively to silver cheaper in India than London, Mr. Arbithnot quoted Mr. Arbithnot's remarks exhaustive, Indian values must tend to Enropean standard	484
Conclusion—intrinsic value must be regulated by average relative value in Europe	33 40#
Statements in Government despatch quoted, relative to correctness of standard of Act	"
Question not one of opinion, but fact, is value assigned in Act correct?	485
High price of silver when minute and report were penned, not maintained	**
Tables referred to showing price of silver by Act, not reached since 1820 Table from Financial Department illustrating facts stated regarding price of silver	486
Figures show gold pieces of legal tender cannot be coined at rates of Act	487
If this could be done, increase in value of gold would demonetise the pieces	"
Introduction of gold must have this effect, and prevent circulation of pieces	",
Argument of direct import from Australia, Enropean prices would still rule India Question of coining pieces under Act from gold obtained under notification	400
Quotations of sovereigns and bars, loss of coming from sovereigns compared with bars	488
Augusting to make the second of the second o	**

	PAGE
Absolute loss of 1 42 per cant. In converting sovereigns into gold mobius	488
Inference pieces so coined would be withdrawn from circulation after issue	,
Prices quoted in Indian markets refer to coins, not to gold as bullion	489
Despatch to Secretary of State quoted, as to coining under Act still going on	
Impages statement; pieces coined pever come into circulation Solo effect to give the gold a certificate of weight and quality	*
Steps that ought to be taken for a gold currency; desirableness left out of question	490
Two conditions, legal tender and intrinsic values regulated by European markets	79
Unwise to coin with intention to alter value according to Indian market	,,,
Mode of coining pieces of value regulated by that of Europe Proper course to limit legal tendre to Rs. 200 as far as the public is concerned	491
Government to receive gold coins without limitation; result of over-issue	
On equalization of relative values in Europe and India, gold to be made sole standard	-
This process followed by European powers which have adopted the franc unit	400
Remarks on proposals of Mint Masters, especially Cols. Bullard and Smith Prosent time inappropriate for assimilating Indian standard to pound sterling	492
If gold coinage now introduced, it should be based on rupes unit	-
Essence of Mint Masters' sebowe, to force gold by contracting affect currency	90
Disastrous effects of artificial enhancement of cost of allver money	. H
Measures for introducing gold should not disturb the standard of value Sir W Measfield's Missis, dated 9th Fabruary 1880	403
Hr Strachey has overlooked experimental character of recent arrangements	-
Recapitulates artificial difficulties crested since 1835 in regard to gold	484
Sir C. Trefelyan's attempt to introduce sovereigns at Rs. 10 new held to be an error	495
Before any step towards legal tender experience needed of real relative values Hence Act of 1835 assumed to give relative values this a prudent course	496
Influence of exchanges on value; results not to be confounded with price of gold	498
Point to be ascertained, whether Act does, or does not, represent values	,,
Course adopted the only way of obtaining the desired experience	497
Facts, as far as known, are against Mr Stracher a position regarding the Act Agrees with Mr Arbothmot that experience is needed to determine inconsistency in	497
Affects with the processor was expensive to the first to determine indicatency in	_
Gold may rise in India, still facts of value the only criterion	403
Government has struck proper mean, to get experience before declaring legal tander	340
Question encumbered by interpolation of English sovereign in 1884 Results which would have followed, had sovereigns higher value than Rs. 10-4 given	н
them "	_
Act of 1835, instead of being obsolets, fairly anticipates present relative values	409
Late measures, if leading to facts needed, not devoid of ntillty	**
Some result of notification stated, with reference to Mr. Strachey's 17th paragraph	
Price of severeign being I per cent, dearer than bar gold, accounted for Instructions of Financial Department relative to mode of dealing with severeigns	_
Why indian coins appear to carry premium beyond intrinsic value	500
Purchase of bers for colunge desirable ; deficient mint machinery	20
Loss of labor from this cause admitted; deficiency about to be supplied Another item of loss in Colonel Hyda's computation; this unfair	
Real loss on recoinage so trifling as to be almost inappreciable	501
Further argument, showing actual profit on recollage when sovereign is Rs. 10-4	P
Does not agree with Mr Strachey as to inexpediency of coining Indian pieces	
liessons; alleged cessation of gold coinage at mints, a misapprehension More than a million coined since Government declined to receive gold	-
Large gold coinage at Native Mints, a fact of great significance	503
While giving f ir play to sovereign, we should throw off Indian coins under the Act	
To have a legal gold currency afterwards, gold coins to be supplied now to further attempt to fix value by notification till Government prepared to concede	*
legal tender	
literalt of experiment to determine this; objectionable point in minute	~
Concurs in Mr Strachey a warning against artificial enhancement of silver	503
Facts of value to be our guide; evidence before Commission and prices at ports to be considered	
Mr Stracter's proposal open to objection, as depreciating allege artificially in India	
like price in direct in India coperally below rates of London market beauty	
Subjoins table of prices of bar silver in London; comments thereon Outstan by Mr. Stracher of cost to be added to London price of bar silver	501
Adding this there is provinction to value of rold sedenal in the Act	501

G Generalization and and and and and and and and and an	AUA
Gold Currency,—continued Inference, London price of bar silver is in reality against Mr Strachey's conclusion .	505
In valuing gold, the rule of merchants looks to cost of delivery in India .	
Balance of trade and state of exchange also not taken account of	33
Gold token comage contrary to correct principle and all previous usage	"
We have to adjust values, leaving metals to fight for supremacy	"
Where this done, silver driven from field, though originally the standard .	"
Refers to minute of March 1864 for arguments on this point	"
Concurs in remarks on proposals of Indian Mint Masters	"
App A Average price of English sovereign, &c, since 1830	506
App B Average Bombay quotations of English and Australian sovereigns and bar gold	
App C Mr Duilop's remarks on importation of bullion to India	508
Sir Richard Temple's minute, 12th February 1869, introductory observations	509
For reasons for course adopted by Government, refers to its despatch, 23rd Dec 1868	,,
Data of European values admitted, but exchanges and the like cause fluctuations	,,
Notices Mi Strachey's omission to add charges to European price of Silver	510
Also, circumstances causing demand for silver in India	,,,
Main point, relative value, price of sovereign in India by evidence	"
Rating from experience bears out valuation of 1835 and Government proceedings	3)
Relative value does not really change, despite intermediate fluctuations	39
Values soon adjust themselves, experience of series of years to be considered .	511
This point examined with Mr Dickson for more than 100 years, result	"
Sufficient reply to Mr Strachey, that rate at Rs 10-4 is to act with caution	33
Does not understand how Act of 1835 can be obsolete	"
Or that legal tender of gold should be limited, silver being unlimited	"
This contrary to natural order and recognized principles and practice	>>
Government of India, to Secretary of State, 15th February 1869 Forwarding minutes of Mr Strachey, Sir W Mansfield, and Sir R Temple	"
Lieut - Col Hyde, Head Commr, Paper Currency, to Govt of India, 8th March 1869	512
Asks when gold pieces are to be refused, as being of light weight	
Mr E F. Harrison, Comptroller General, to Govt of India, 22nd March 1869	"
No minimum weight fixed by XVII of 1835, or XXXV of 1793, or II of 1812	,,,
Minimum weight should be fixed, as with regard to sovereign and half-sovereign	"
Col Hyde's opinion that allowance for 15-rupee piece should be same as for sovereign	"
Allowance for sovereigns and half sovereigns differently given in Tate's Cambist	513
Rates of allowance for wear of gold proposed, Mint Master to be instructed	,,
Notification of Govt, rates allowed for wear of gold coins, 24th November 1869	"
Government of India, to Head Commissioner, Paper Currency, 24th November 1869.	33
Instruction to prepare weights for testing minimum weight of coins	"
Notification of Govt, 12th Dec 1870, on payment of certificates under Act of 1870	514
Govt of India, to Mint Master, Calcutta, instruction to coin 10 and 5-rupee pieces	"
Sir R Temple's minute, (date omitted)	"
Sends notes by Mr Dickson of Bank, and by Messrs Chapman, Sandeman and Gay	33
Gold currency desirable, pieces coined represent net value accurately	~ 37
Course to be taken to make gold ultimately the one legal standard	515
One donbt at root of matter, whether gold currency is needed at all Does not share in donbt, but holds with Mr Laing that it is required	**
Proceeds to state reasons why a gold currency is desirable	"
Gold in esteem in all countries, a well known writer on bullion quoted	5 <u>1</u> 6
The most advanced nations, England, France, &c., possess gold currency	
Acknowledged best medium of exchange and measure of value in large dealings	"
Adam Smith, M M. Chevalier, M'Culloch, Tooke and Chambers quoted	"
Also, Dunning Macleod, John Stuart Mill and Nicholson, on same side	517
Also anthorities who prefer silver for standard, as Ricardo and James Wilson	` 518
India a civilized country, though poor, in parts rich enough	"
No answer to say that mass of people use nothing better than copper	>>
The most important classes, leaders of the nation, use gold	,,
If not for interior, gold wanted for inland, especially foreign trade	"
Number using gold measured by number of 5 and 2½ R transactions Facts cited, showing national prejudice to be in favor of gold	519
In 1835 silver sole tender, but gold still received at treasures	59A
This stopped in 1853, but prohibition withdrawn in 1869	520
Measure not effectual, exchanges preventing importation of gold bullion	"
No permanent influx of gold expected till pieces made legal tender	21
M'Culloch quoted, Sir W Mansfield claborated same point in 1864	,,
To compel use of one metal enhances price, and an unnecessary expense	"
	"

	PAGE
OLD CURRENCY, continued.	520
Amount of silver in India; small percentage in purchase, a large extra expense Again, use of gold great saving in minting charges and in wear and tear	52
Further gold wanted because it toods to steady price of silver	н
Special reasons in India why silver currency is inconvenient without gold	11
Continents of Europe and India different; India supplied through England	823
Australia the natural source of supply of gold to India	H
System of metallic currency prevents India from using this advantage	*
Col. Smith, Mint Master and Sir W Mansfield, quoted on this point	621
Also Sir C. Trevelyan; how balance of trade might be adjusted with Australia This illustrated by adjustments which take place with China	
One peculiarity of India-wast remittances to England at great cost	~
Way in which payments arranged between India and England; Council drafts	
l arious ways in which arrangement is inconvenient to India	Б2
Hamburgh and London cited from Mr. Goschen, to show disadvantage to India	52
Standard for India should be the same as that for England	
Gold currency not only a saving but facilitates settlement of obligations	H
Mr Chapman a argument of effect on native mind should silver be demonstized. True that natives will look to intrinsic as well as nominal value of rupes.	52
Yet native rapes will not have advantage over British, not being legal tender	
British rapes might be less esteemed, but gold currency would rise in repute	
Old silver standard taken away but superfor gold standard given instead	
Objection—sufficient gold not available to justify its being made logal tender	52
This no sufficient reason for refraining from declaring gold legal tender	
Need of gold would scoure sufficient inflax in a short time	52
Present gold coinage really represents relative value of the two metals Rate of Ra. 10-4 for sovereign coincides as nearly as possible with that standard	
Sovereigns not received since 1869, due to exchange preventing import of builton	P P
Non-arrival of gold due to artificial causes, creating fancy demand	,,,
Proportion 16 to 1 between all ver and gold affected by value determined by law	
A cardinal test, cost with charges, establishes proportion of 15 to 1	
Proportions indicated by Mr J Norman for bringing in gold for coinage	52
Indian gold coin proper for currency; sovereigns might be legal tender for Rs. 10-4. Prospect of international universal coins seems to be disappearing	н
Objection of national debt and paper currency being in rupees, before disposed of	-
For other points, refers to report of Currency Commission of 1867 and other papers	*
Urges Mr Dickson's proposals as safe and practical first steps	53
If proposed measure fall, what questions to be considered and steps taken	
If Government now makes up its mind, suggests appointment of another Commission	53
Note by Mr. Dickros of Best of Besgal, dated 15th January 1873. Conviction deepened, that conclusions of Committee are sound	H
Present time opportune for taking another step forward	~
Chief difficulty, present insulequate supply of gold in Indian markets	
Same causes which have secured supply of allyer will draw gold to India	53
Adjustment of balance of trade made by Secy of State's drafts and money payments Operations of exchange banks will add materially to our supplies of gold	
Operations of exchange banks will add materially to our supplies of gold	
Silver being legal tender payment of surplus claims is in that metal	×
Gold sent to England to balance trade might profitably come direct to India	×
Owing to limited import, sovereigns command higher value than in notification	
Dut large influx may be looked for reducing prices to Government rating	
Restrictive nature of notification unduly checks free importation of gold	53
Effect of France-Prusian war in making exchange rate nunsually low Question for Government whether decided action is not needed to pure way for gold	
Propues, let that sovereigns be received at Indian treasuries without restriction	
2nd to issue currency notes for gold builton tendered for coinage at mint	
Fhould there be sufficient supply sovereigns and Indian please to be declared legal tender	
Filter to have concurrent circulation till gradually demonstraed	53
Refers to what was said in 1868 on cril of raising intrinsic value of rupoo Proposal while progressive practical and safe; no harm even from failure	
Lors on bills; no means to construct downward tendency of exchange	-
This could not be if treasuries had sovereigns or her gold at cer ain rates	េះ
I tam! If showing 4 per cent, in favor of India compared with Seer of State a bills	н
four points taken for granted as result of adoption of his proposal	
Refers to Mr Hendrick a criticism on rating of sorcreigns as not acientifically accurate	63

Reason why small undow valuing cannot interfere with importation Objection made, from partiality for scheme of international comage This a large question, and removed further from solution by action of Germany Danger of relying for help from extraneous sources, illustrated Points suggested for discussion by Royal Commissioners on international comage Conclusions of Royal Commissioners against reducing value of pound to 25 frances Remarks on course of Germany in changing silver for gold standard Another aspect, oscillations of exchange between countries with unities currency Rate of exchange governed by cost of remittance and loss on specie shipmonts Proposal submitted a powerful corrective of rate of exchange ruling in London Equilibrium between rev. and expenditure of India bound up with rate of exchange Failacy to suppose that 5 per cent loan in England involves no further expense Not only interest, but loss on exchange involved in contracts with companies Conclusion; mode of escapie in case of finitive, if success, no danger Reserves remarks on contemplated issue of a 5 rupes legal tender note Mr Dickeou's second note on Indian gold currency. Ist February 1872 Agrees with Mr Strachey on some points, but aron underlies his whole argument Two main arguments of objection to rating sovereigns at Rs 10 4, stated Experience since shows average market price to be Rs 10 8 and not Rs 10-4 Brit gold not being legal tender, market price to it limits to a liturate value Wy must go back to first principles, Mr Arbuthnot quoted in proof Quotas flowing market price, notification of 1869 secure a deal eleter Causes operating against supply of gold being equal to demand Mr Strachely's 2nd point, Lord Sandhurst's reasoning in reply sufficient Importation of metals as merchandise not wholly determined by roft and loss This resolute to show danger of relying on averages as a sole gond Mr Strachely's argument being unsound in inception, fails altogether lifers to fast relature value of silver in London Conditions in India not sa			PAGE
Objection made, from partiality for scheme of international comage This a large question, and removed further from solution by action of Germany Danger of relying for help from extraneous sources, illustrated Pontas suggested for discussion by Royal Commissioners on international comage Conclusions of Royal Commissioners against reducing value of pound to 25 francs Remarka on course of Germany in changing silver for gold standard Calculations showing unsuitableness to India of international scheme Another aspect, oscillations of acchange between countries with anilke currency Rate of exchange governed by cost of remittance and loss on specie shipmonts Froposal submitted a powerful corrective of rate of exchange ruling in London Expitibility to suppose that 5 per cent loan in England involves no further expense Fallacy to suppose that 5 per cent loan in England involves no further expense Fallacy to suppose that 5 per cent loan in England involves no further expense Fallacy to suppose that 5 per cent loan in England involves no further expense Fallacy to suppose that 5 per cent loan in England involves no further expenses Fallacy to suppose that 5 per cent loan in England involves no further expenses Fallacy to suppose that 5 per cent loan in England involves no further expenses Fallacy to suppose that 5 per cent loan in England involves no further expenses Fallacy to suppose that 5 per cent loan in England involves Fallacy to suppose that 5 per cent loan in England involves to further expenses Fallacy to suppose that 5 per cent loan in England involves the further for the fall of the submitted of the suppose of the fall of the submitted in the fall of the fall of the fall of the submitted in the fall of the fall of the fall of	GOLD CURRENCY—continued		700
This a large question, and removed further from solution by action of Germany Danger of relying for help from extraneons sources, illustrated Points suggested for discussion by Royal Commissioners on international comage Conclusions of Royal Commissioners against reducing value of pound to 25 francs Remarks on course of Germany in changing silver for gold standard Calcinations showing menutatheness to India of international scheme Another aspect, oscillations of exchange allowed international scheme Another aspects, oscillations of exchange between countries with unlike currency Rate of exchange poreried by cost of remittance and loss on spece shipments Proposal submitted a powerful corrective of rate of exchange ruling in London Equilibrium between rex and expenditure of India bound up with rate of exchange Fillacy to suppose that a 5 per cent loan in Bingland involves no further expense Not only interest, but loss on exchange involved in contracts with companies Cocilison; indeed of eachige in case of finities, if success, no danger Reserves remarks on contemplated issne of a 5 rupee legal tender notes of history, if success, no danger Reserves remarks on contemplated issne of a 5 rupee legal tender notes of history, if success, no danger Reserves remarks on contemplated issne of a 5 rupee legal tender notes of history, if success, no danger Reserves remarks on contemplated issne of a 5 rupee legal tender notes of the reserves of the success, no danger research to the success, no danger research to the success of the success, no danger research to the success, no	Reason wby small under valuing cannot interfere with importation		
Danger of relyung for help from extraneons sources, illustrated Pontis suggested for discussion by Royal Commissioners on international comage Conclusions of Royal Commissioners against reducing value of pound to 25 frances Remarks on course of Germany in changing giver for gold standard Calculations alsowing unsuitableness to India of international scheme Another aspect, oscillations of exchange between countries with innike currency Rate of exchange governed by cost of remitiance and loss on specie shipments Proposal submitted a powerful corrective of rate of exchange ruling in London Equilibrium between rev. and expenditure of India bound up with rate of exchange Filhacy to suppose that a 5 per cent loan in Bugland involves no further expenses Not only interest, but loss on exchange involved in continuets with companies Conclusion; mode of escape in case of failure, if success, no danger Reserves remarks on contemplated issue of a 5 rupee legal tender note Mr. Dickson's second note on Indian gold currency, 1st February 1872 Agieses with Mr. Struchey on some points, but ear orn inderines his whole argument Two main arguments of objection to rating sovereigns at Rs 10.4, stated Experience since shows average market pince to be Rs 10.8 and not Rs 10.4 But go hack to first principles, Mr. Arbithnot quoted in proof Quotations in support from Mr. Tooke's book on prices High price of sovereigns due to supply innequal to demand during low rate of exchange Let supply equal demand, and market price will fall to its ultimate value Wy must go back to first principles, Mr. Arbithnot quoted in proof Quotations in support from Mr. Tooke's book on prices High price of sovereigns due to supply innequal to demand during low rate of exchange Let supply equal demand, and market price will fall to its ultimate value By following market price, notification of 1864 became a dead letter Causes operating against supply of gold being equal to demand Mr. Strachey's against supply of gold being equal to demand Mr. Strachey's against su	Objection made, from partially for sentence of international collage	•	
Pombs suggested for discussion by Royal Commissioners on international connage Conclusions of Royal Commissioners against reducing value of pound to 25 frances Remarks on course of Germany in changing silver for gold standard Calculations showing unsutableness to India of international scheme Another aspect, oscillations of exchange between countries with unlike currency Rate of exchange governed by cost of remittance and loss on spece shipmonts Proposal submitted a powerful corrective of rate of exchange ruling in London Equilibrium between rev. and expenditure of India bound up with rate of exchange Fallacy to suppose that a 5 per cent loan in England involves no further expense Not only interest, but loss on exchange involved in contracts with companies Conclusion; mode of escape in case of finiture, if success, no danger Reserves remarks on contemplated issue of a 5 rupee legal tender note Mr Dickson's second note on Indian gold currency, 1st February 1872 Agrees with Mr Strachey on some points, but eiror nuderlies his whole argument Two main arguments of objection to intag sovereigns at Rs 10 4, stated Experience since shows average market pine to be Rs 10 8 and not Rs 10-4 interest. But gold not being legal tender, market price of currency in Indian to a little with the Procession of the Mr Dickson's second from the without the Wy must go back to first principles, Mr Arbuthnot quoted in proof Quotations in support from Mr Tocke's book on prices High price of sovereigns due to supply inequal to demand during low rate of exchange Let supply equal demand, and market price will fall to its ultimate value Procession from extrancous causes no safe guide for determining value By following market price, notification of 1864 heceme a dead letter Causes operating against supply of gold being equal to demand Mr Strackey's 2nd determined by chapters of more of the mode of the Procession of the Mr Strackey's apparent price of silver in London, from 1856 to 1865 This resolted to industry the procession of the processio	Danger of relying for help from extraneous sources, illustrated		
Conclusions of Royal Commissioners against reducing value of poind to 26 frances Remarks on course of Germany in changing silver for gold standard Calculutions showing unsutableness to India of international scheme Another aspect, occiliations of exchange between construers with unlike currency Rate of exchange governed by cost of remittance and loss on specie shipments Proposal submitted a powerful corrective of rate of exchange ruling in London Equilibrium between rev. and expenditure of India bound up with rate of exchange Pallacy to suppose that a 5 per cent loan in England involves no further expense Not only interest, but loss on exchange involved in contracts with companies Conclusion; mode of escapie in case of finiture, if success, no danger Reserves remarks on contemplated issue of a 5 rupeo legal tender note Mr Dickson's second note on Indian gold currency, 1st February 1872 Agrees with Mr Strachey on some points, but earor inderlies his whole argument Two main arguments of objection to inting sovereigns at Rs 10 4, stated Experience since shows average market purce to be Rs 10 8 and not Rs 10-4 But gold not being legal tendei, market purce on criterion of ultimate value We must go back to first principles, Mr Arbitahot quoted in proof Quotations in support from Mr Tocke's book on prices High price of sovereigns due to supply unequal to demand during low rate of exchange Let supply equal demand, and market price will fall to its ultimate value By following market price, notification of 1864 became a dead letter Canses operating against supply of gold being equal to demand Mr Strachey's 2nd point, Lord Saudhunst's reasoning in reply sufficient Importation of motals as merchanduse not wholly determined by profit and loss This resolted to in discharge of obligations, when premium on bills is too high Payment in bills or specie determined by cheapenss of one or other mode Mr Strachey's 2nd papedix, variations in complete the properties of the properties of the complete the properties of the complete of t	Points suggested for discussion by Royal Commissioners on international coinage		
Remarks on course of Germany in changing silver for gold standard Calculations showing unsutableness to India of international scheme Another aspect, occiliations of exchange between countries with unlike currency Rate of exchange governed by cock of remittance and loss on specie shipments Proposal submitted a powerful corrective of rate of exchange ruling in London Equilibrium between rev. and expenditure of India bondu piwth rate of exchange Fallacy to suppose that a 5 per cent loan in England involves no further expense Not only inherest, but loss on exchange involved in contracts with companies Conclusion; mode of escape in case of finiture, if success, no danger Reserves remarks on contemplated issue of a 5 rupes legal tonder note Mr Dickson's second note on Indian gold currency, 1st February 1872 Agrees with Mr Strachey on some points, but eiror malerites his whole argument Two main arguments of objection to intaing sovereigns at Rs 10 4, stated Experience since shows average market price to be Rs 10 8 and not Rs 10.4 Experience since shows average market price to contretion of ultimate value We must go back to first principles, Mr Arbuthnot quoted in proof Quotations in support from Mr Tocke's book on prices High price of sovereigns due to supply inequal to demand during low rate of exchange Let supply equil demand, and market price will full to its ultimate value By following market price, notification of 1865 became a dead letter Causes operating against supply of gold being equal to domand Mr Strachey's apolition from appendix to report of Come on value of gold and silver Causes operating against supply of gold being equal to domand Mr Strachey's apolition from appendix to report of Come on value of gold and silver Causes operating against supply of gold being equal to domand Mr Strachey's appendix, variations in result expected when averages are east Quotes from Appendix to blue book of Rojal Commission on international coinage Statement showing price of silver in London, from 1856 to 1865 This quote	Conclusions of Royal Commissioners against reducing value of pound to 25 francs		
Calculations showing unsutableness to India of international scheme Another aspect, occiliations of exchange between constries with anilks currency Rate of exchange governed by cost of remittance and loss on specie shipments Proposal submitted a powerful corrective of rate of exchange ruling in London Equilibrium between rev. and expenditure of India bound up with rate of exchange Filhacy to suppose that a 5 per cent loan in Bugland involves no further expense Not only interest, but loss on exchange involved in continuets with companies Conclusion; mode of escape in case of failure, if success, no danger Reserves remarks on contemplated issue of a 5 rupee legal tender note Mr Dickson's second note on Indian gold currency, 1st February 1872 Agrees with Mr Strachey on some points, but aror underlies his whole argument Two main arguments of objection to inting sovereigns at Rs 10 4, stated Experience since shows average market price to be Rs 10 8 and not Rs 10-4 But gol hack being legal tender, market price in certerion of ultimate value We must go back to first principles, Mr Arbituhot quoted in proof Quotations in support from Mr Tooke's book on prices High price of sovereigns due to snaply innequal to demand during low rate of exchange Let supply equal demand, and market price will fall to its ultimate value We must go back to first principles, Mr Arbituhot quoted in proof Causes operating against supply of gold being equal to demand Mr Strackey's anyther price, notification of 1866 became a dead letter Causes operating against supply of gold being equal to demand Mr Strackey's anyther price, notification of 1866 became a dead letter Causes operating against supply of gold being equal to demand Mr Strackey's argument being unsound in unception, fails altogether Rofer to facts reliantly to blue book of Roja I Commission on international coinage Statement showing price of silver in London, from 1856 to 1865 This quoted to show danger of relying on averages as a sole guide Mr Strackey's argument being unsound in u	Remarks on course of Germany in changing silver for gold standard		
Rate of exchange governed by cost of remthance and loss on specie shipments Proposal submitted a powerful corrective of rate of exchange ruling in London Equilibrium between rev. and expenditure of India bound up with rate of exchange Fallacy to suppose that a 5 per cent loan in England involves no further expense Not only interest, but loss on exchange involved in contracts with companies Conclusion; mode of escape in case of failure, if Success, no danger Reserves remarks on contemplated issue of a 5 rupes legal tender note My Dickson's second note on Indian gold currency, 1st February 1872 Agrees with Mr Strachey on some points, but eiror ninderlies his whole argument Two main arguments of objection to inting sovereigns at Rs 10 4, stated Experience since shows average market pince to be Rs 10 8 and not Rs 10-4 But gold not being legal tender, market pince no criterion of ultimate value We must go back to first principles, Mr Arbuthnot quoted in proof Quotations in support from Mr Tooke's book on pinces High price of sovereigns due to apply megal to demand during low rate of exchange Let supply equal demand, and market price outlied to the ultimate value By following market price, notification of 1864 became a dead letter Canses operating against supply of gold being equal to demand Mr Strackey's 2nd point, Lord Saudhust's reasoning in reply sufficient Importation of metals as merchandise not wholly determined by profit and loss This resolted to a discharge of obligations, when premium on bills is too high Payment in bills or specie determined by cheapness of one or other mode Mr Strackey's argument being unsonid in ucception, fails allogether Refers to facts relating to piecous metals as articles of merchandise Rate of exchange calculated, when ber silver at 5s 12 per ox is coined into rupecs Conclusion, that remittance in silve is more profitable tinn bills Smilar calculation when sovereigns are sent roted in India at Rs 10-4 Compurison of calculation, for a faitting in favour of silver Dediction from the	Calculations showing unsuitableness to India of international scheme		,,
Ranibrum between rev. and expenditure of Inda bound up with rato of exchange Fallacy to suppose that a 5 per cent loan in England involves no further expense Not only interest, but loss on exchange involved in contracts with companies Conclusion; mode of escape in case of failure, if success, no danger Reserves remarks on contemplated issue of a 5 rupee legal tender note Mr Dickson's second note on Indian gold currency, 1st February 1872 Agrees with Mr Strachey on some points, but airor underlies his whole argument Two main arguments of objection to inting sovereigns at Rs 10 4, stated Experience since shows average market pince to be Rs 10 8 and not Rs 10-4 Bit gold not being legal tender, market pince to be Rs 10 8 and not Rs 10-4 Bit gold not being legal tender, market pince no criterion of ultimate value We must go back to first principles, Mr Arbuthnot quoted in proof Quotations in support from Mr Tocke's book on prices Righ price of sovereigns due to supply mequal to demand during low rate of exchange Let supply equal demand, and market pince with the substitution of 1864 became a dead letter Causes operating against supply of gold being equal to demand Mr Strachey's 2nd point, Lord Saudhunst's reasoning in reply sufficient Importation of metals as merchandise not wholly determined by profit and loss This resolved to substitution from appendix to report of Com on value of gold and silver Possible error in Appendix, variations in result			541
Equilibrium between rev. and expenditure of India bound up with rate of exchange Fallacy to suppose that a 5 per cent loan in England involves no further expense Not only interest, but loss on exchange involved in contracts with companies 542 Conclusion; mode of escape in case of finiure, if success, no danger Reserves remarks on contemplated issne of a 5 rupee legal tender note Mr. Dickson's second note on Indian gold currency, 1st February 1872 Agrees with Mr. Strachey on some points, but eiror ninderlies his whole argument Two main arguments of objection to inting sovereigns at Rs. 10 4, stated Experience since shows average market pince to be Rs. 10 8 and not Rs. 10-4. But gold not being legal tender, market price to be Rs. 10 8 and not Rs. 10-4. But gold not being legal tender, market price no criterion of ultimate value We must go back to first principles, Mr. Arbuthnot quoted in proof Quotations in support from Mr. Tooke's book on prices. High price of sovereigns due to snpply unequal to demand during low rate of exchange Lite snpply equal demand, and market price will fall to its ultimate value Br. following market price, ontination of 1868 became a dead letter Causes operating against supply of gold being equal to demand Mr. Strackey's alpoint, Lord Sandhurst's reasoning in reply sufficient Importation of metals as merchaudise not wholly determined by profit and loss This resorted to in discharge of obligations, when premium on bills is too high Payment in bills or specie determined by cheapness of one or other mode Mr. Strackey's quotition from appendix to report of Com on value of gold and silver Possible orror in Appendix, variations in result expected when averages are cast Quotes from Appendix to blue book of Royal Commission on international coinage Statement showing price of silver in London, from 1856 to 1865 This quoted to show danger of relying on averages as a sole guide Mr. Strackey's argument being succession, find tremitatione in silver in sole, and the proper of the proper of the proper	Rate of exchange governed by cost of remittance and loss on specie shipments		>>
Failacy to suppose that a 5 per cent loan in England involves no further expense Not only interest, but loss on exchange involved in contracts with companies Conclusion; mode of escape in case of failure, if success, no danger Reserves remarks on contemplated issue of a 5 rupee legal tender note Mr Dickson's second note on Indian gold currency, 1st February 1872 Agrees with Mr Strachery on some points, but air or inderlies his whole argument Two main arguments of objection to inting sovereigns at Rs 10 4, stated Experience since shows average market pince to be Rs 10 8 and not Rs 10-4 Bit gold not being legal tender, market pince no criterion of ultimate value We must go back to first principles, Mr Arbuthnot quoted in proof Quotations in support from Mr Tooke's book on pinces High price of sovereigns due to supply mequal to demand during low rate of exchange Let supply equal demand, and market pince will full to its ultimate value By following market price, notification of 1864 became a dead letter Causes operating against supply of gold being equal to domand Mr Strachery's 2nd point, Lord Saudhuist's reasoning in reply sufficient Importation of metals as merchandise not wholly determined by profit and loss This resorted to in discharge of obligations, when premium on bills is too high Payment in bills or specie determined by cheapness of one or other mode Mr Strachery's quotation from appendix to report of Com on value of gold and sliver Possible error in Appendix, variations in result expected when averages are cast Quotes from Appendix to blue book of Royal Commission on international coinage Statement showing price of silver in London, from 1856 to 1865 This quoted to show danger of relying on averages as a sole guide Mr Strachery's argument being subsonid in sucception, fails altogether Rofers to facts relating to piecois metals as a riceles of merchandise Rate of exchange calculated, when her silver at 5s 1d per ox is coined into rupees Conclusion, that remittance in silver in some proper proper prop	Proposal submitted a powerful corrective of rate of exchange ruling in London		"
Not only interest, but loss on exchange involved in contracts with companies Conclusion; mode of scape in case of failure, if success, no danger Reserves remarks on contemplated issue of a 5 rupes legal tender note Mr. Dickson's second note on Indian gold currency, 1st February 1872 Agrees with Mr. Struckey on some points, but error underlies his whole argument Two main arguments of objection to inting sovereigns at Rs. 10.4, stated Experience since shows average market price to be Rs. 10.8 and not Rs. 10.4. But gold not being legal tender, market price no criterion of ultimate value We must go back to first principles. Mr. Arbathnot quoted in proof Quotations in support from Mr. Tooke's book on prices High price of sovereigns due to supply unequal to demand during low rate of exchange Let supply equal demand, and market price will fall to its ultimate value By following market price, notification of 1863 became a dead letter Causes operating against supply of gold being equal to demand Mr. Strackey's 2 and point, Lord Saudhuist's reasoning in reply sufficient Importation of metals as merchandise not wholly determined by profit and loss This resoited to in dischage of obligations, when premium on bills is too high Payment in bills or specie determined by cheapness of one or other mode Mr. Strackey's quotation from appendix to report of Com on value of gold and silver Possible error in Appendix, variations in result expected when averages are east Quotes from Appendix, variations in result expected when averages are cast Quotes from Appendix, variations in negation, from 1856 to 1865 This quoted to show danger of relying on averages as a sole guide Mr. Strackey's argument being unsound in uception, falls altogether Rofers to facts relating to piecrous metals as articles of merchandise Rate of exchange calculated, when har silver at 55 14 per oz is coined into rupecs Conclusion, that remittance in silver is more profitable than bills Similar calculation when sovereigns are sent ruted in India at Rs. 10-4 Comparis	Equilibrium between rev. and expenditure of India bound up with rate of exchange		"
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Quotes from Appendix to blue book of Royal Commission on international coinage Statement showing price of silver in London, from 1856 to 1865 This quoted to show danger of relying on averages as a sole guide Mr Strachey's argument being unsoned in inception, fails altogether Refers to facts relating to precious metals as articles of merchandise Rate of exchange calculated, when bar silver at 5s 1d per oz is coined into rupecs Conclusion, that remittance in silver is more profitable than bills Similar calculation when sovereigns are sent rated in India at Rs 10-4 Computison of calculations, 3-10ths of a faithing in favour of silver Deduction from the facts, that rating of Rs 10-4 is sound and scientific Rating also agrees with Act, Mr Strachey's argument on this point Example of relative value varying with price of silver in London Conditions in India not same as in England, so that latter should determine real value As matter of fact, India has of late received more silver from China thau England Reason why relative value of gold piece not fair from 15 to 1 Proportional value in London assumed by Mr Strachey, not applicable to India Loss in converting sovereigns into mohurs by Colonel Hyde's method, imaginary Method tested by calculation, loss \(\frac{1}{2}\) per cent instead of 142 Three practical tests proposed for trial at the mint Thinks Govt would gain in given transactions at least \(\frac{1}{2}\) per cent. Every passing year demonstrates soundness of Commissiou's rating If high value fixed, gold would have been overvalued and silver driven out Price of sovereigns still falling, and expected soon to fall to Rs 10.4 Mr Strachey's proposal in opposition to authorities and European practice Arguments illustrated by course followed by France and America Another difficulty in introducing gold through in international currency Mint charges in Eugland, Sydney, France, America, Prussia, and India Change of standard in France and United States, standard of other countries		ver	
Statement showing price of silver in London, from 1856 to 1865 This quoted to show danger of relying on averages as a sole guide Mr Strachey's argument being unsonid in inception, fails altogether Refers to facts relating to piecious metals as articles of merchandise Rate of exchange calculated, when bar silver at 5s 1d per oz is coined into rupecs Conclusion, that remittance in silver is more profitable than bills Similar calculation when sovereigns are sent rated in India at Rs 10-4 Comparison of calculations, 3-10ths of a faithing in favour of silver Deduction from the facts, that rating of Rs 10-4 is sound and scientific Rating also agrees with Act, Mi Strachey's argument on this point Example of relative value varying with price of silver in London Conditions in India not same as in England, so that latter should determine real value As matter of fact, India has of late received more silver from China thau England Reason why relative value of gold piece not far from 15 to 1 Proportional value in London assumed by Mr Strachey, not applicable to India Loss in converting sovereigns into modurs by Colonel Hyde's method, imaginary Method tested by calculation, loss \(\frac{2}{4}\) per cent instead of 142 Three practical tests proposed for trial at the mint Thinks Govt would gain in given transactions at least \(\frac{1}{4}\) per cent. Every passing year demonstrates soundness of Commissiou's rating If high value fixed, gold would have been overvalued and silver driven out Price of sovereigns still falling, and expected soon to fall to Rs 10 4 Mr Strachey's proposal in opposition to authorities and European practice Arguments illustrated by course followed by France and America Another difficulty in introducing gold through in international currency Mint charges in Eugland, Sydney, Frince, America, Prussia, and India Change of standard in France and United States, standard of other countries	Quotes from Appendix to blue book of Royal Commission on international coungra-		"
This quoted to show danger of relying on averages as a sole guide Mr Strachey's argument being unsound in inception, fails altogether Refers to facts relating to piecious metals as articles of merchandise Rate of exchange calculated, when har silver at 5s 1d per oz is coined into rupecs Conclusion, that remittance in silver is more profitable than bills Similar calculation when sovereigns are sent rated in India at Rs 10-4 Comparison of calculations, 3-10ths of a faithing in favour of silver Comparison of calculations, 3-10ths of a faithing in favour of silver Deduction from the facts, that rating of Rs 10-4 is sound and scientific Rating also agrees with Act, Mi Strachey's argument on this point Example of relative value varying with price of silver in London Conditions in India not same as in England, so that inter should determine real value As matter of fact, India has of late received more silver from China thau England Reason why relative value differs in India from that in England Example, showing relative value of gold piece not far from 15 to 1 Proportional value in London assumed by Mr Strachey, not applicable to India Loss in converting sovereigns into moburs by Colonel Hyde's method, imaginary Method tested by calculation, loss 4 per cent instead of 142 Three practical tests proposed for trial at the mint Thinks Govt would gain in given transactions at least 4 per cent. Livery passing year demonstrates soundness of Commission's rating If high value fived, gold would have been overvalued and silver driven out Price of sovereigns still falling, and expected soon to fall to Rs 10 4 Mr Strachey's proposal in opposition to authorities and European practice Arguments illustrated by course followed by France and America Another difficulty in introducing gold through uniternational currency Mint charges in Eugland, Sydney, France, America, Prussia, and India Change of standard in France and United States, standard of other countries	Statement showing price of silver in London, from 1856 to 1865		547
Mr Strachey's argument being unsound in inception, fails altogether Refers to facts relating to piecious metals as articles of merchandise Rate of exchange calculated, when har silver at 5s 1d per oz is coined into rupecs Conclusion, that remittance in silver is more profitable than bills Similar calculation when sovereigns are sent rated in India at Rs 10-4 Comparison of calculations, 3-10ths of a faithing in favour of silver Comparison of calculations, 3-10ths of a faithing in favour of silver Rating also agrees with Act, Mi Strachey's argument on this point Example of relative value varying with price of silver in London Conditions in India not same as in England, so that latter should determine real value As matter of fact, India has of late received more silver from China thau England Reason why relative value differs in India from that in England Example, showing relative value of gold piece not far from 15 to 1 Proportional value in London assumed by Mr Strachey, not applicable to India Loss in converting sovereigns into moburs by Colonel Hyde's method, imaginary Method tested by calculation, loss 4 per cent instead of 142 Three practical tests proposed for trial at the mint Thinks Govt would gain in given transactions at least 4 per cent. Every passing year demonstrates soundness of Commissiou's rating If high value fived, gold would have been overvalued and silver driven out Price of sovereigns still falling, and expected soon to fall to Rs 10 4 Mr Strachey's proposal in opposition to authorities and European practice Arguments illustrated by course followed by France and America Another difficulty in introducing gold through in international currency Mint charges in Eugland, Sydney, Frince, America, Prussia, and India Change of standard in France and United States, standard of other countries			
Refers to facts relating to piecious metals as articles of merchandise Rate of exchange calculated, when bar silver at 5s 1d per oz is coined into rupecs Conclusion, that remittance in silver is more profitable than bills Similar calculation when sovereigns are sent rated in India at Rs 10-4 Compurison of calculations, 3-10ths of a faithing in favour of silver Deduction from the facts, that rating of Rs 10-4 is sound and scientific Rating also agrees with Act, Mi Strackey's argument on this point Example of relative value varying with price of silver in London Conditions in India not same as in England, so that latter should determine real value As matter of fact, India has of late received more silver from China than England Reason why relative value differs in India from that in England Example, showing relative value of gold piece not far from 15 to 1 Proportional value in London assumed by Mr Strackey, not applicable to India Loss in conveiting sovereigns into mohurs by Colonel Hyde's method, imaginary Method tested by calculation, loss 4 per cent instead of 142 Three practical tests proposed for trial at the mint Thinks Govt would gain in given triansactions at least 4 per cent. Livery passing year demonstrates soundness of Commissiou's rating If high value fixed, gold would have been overvalued and silver driven out Price of sovereigns still falling, and expected soon to fall to Rs 10 4 Mr Strackey's proposal in opposition to authorities and European practice Arguments illustrated by course followed by France and America Another difficulty in introducing gold through an international currency Mint charges in Eugland, Sydney, France, America, Prissia, and India Change of standard in France and United States, standard of other countries	Mr Strachey's argument being unsound in inception, fails altogether		
Conclusion, that remittance in silver is more profitable than bills Similar calculation when sovereigns are sent rated in India at Rs 10-4 Computision of calculations, 3-10ths of a faithing in favour of silver Deduction from the facts, that rating of Rs 10-4 is sound and scientific Rating also agrees with Act, Mi Strackey's argument on this point Example of relative value varying with price of silver in London Conditions in India not same as in England, so that latter should determine real value As matter of fact, India has of late received more silver from China thau England Reason why relative value differs in India from that in England Example, showing relative value of gold piece not far from 15 to 1 Proportional value in London assumed by Mr Strackey, not applicable to India Loss in converting sovereigns into modurs by Colonel Hyde's method, imaginary Method tested by calculation, loss ‡ per cent instead of 142 Three practical tests proposed for trial at the mint Thinks Govt would gain in given transactions at least ‡ per cent. Livery passing year demonstrates soundness of Commissiou's rating If high value fixed, gold would have been overvalued and silver driven out Price of sovereigns still falling, and expected soon to fall to Rs 10 4 Mir Strackey's proposal in opposition to authorities and European practice Arguments illustrated by course followed by France and America Another difficulty in introducing gold through an international currency Mint charges in Eugland, Sydney, France, America, Prussia, and India Change of standard in France and United States, standard of other countries	Refers to facts relating to precious metals as articles of merchandise		,,
Similar calculation when sovereigns are sent rated in India at Rs 10-4 Comparison of calculations, 3-10ths of a faithing in favour of silver Deduction from the facts, that rating of Rs 10-4 is sound and scientific Rating also agrees with Act, Mi Strachey's argument on this point Example of relative value varying with price of silver in London Conditions in India not same as in England, so that latter should determine real value As matter of fact, India has of late received more silver from China thau England Reason why relative value differs in India from that in England Example, showing relative value of gold piece not far from 15 to 1 Proportional value in London assumed by Mr Strachey, not applicable to India Loss in conveiting sovereigns into moburs by Colonel Hyde's method, imaginary Method tested by calculation, loss ‡ per cent instead of 142 Three practical tests proposed for trial at the mint Thinks Govt would gain in given transactions at least ‡ per cent. Every passing year demonstrates soundness of Commissiou's rating If high value fixed, gold would have been overvalued and silver driven out Price of sovereigns still falling, and expected soon to fall to Rs 10 4 Mr Strachey's proposal in opposition to authorities and European practice Arguments illustrated by course followed by France and America Another difficulty in introducing gold through an international currency Mint charges in Eugland, Sydney, France, America, Prussia, and India Change of standard in France and United States, standard of other countries """ """ """ """ """ """ """	Rate of exchange calculated, when har silver at 5s 1d per oz is coined into rupecs		548
Comparison of calculations, 3-10ths of a faithing in favour of silver Deduction from the facts, that rating of Rs 10-4 is sound and scientific Rating also agrees with Act, Mi Strachey's argument on this point Example of relative value varying with price of silver in London Conditions in India not same as in England, so that latter should determine real value As matter of fact, India has of late received more silver from China thau England Reason why relative value differs in India from that in England Example, showing relative value of gold piece not far from 15 to 1 Proportional value in London assumed by Mr Strachey, not applicable to India Loss in converting sovereigns into mohurs by Colonel Hyde's method, imaginary Method tested by calculation, loss ‡ per cent instead of 1 42 Three practical tests proposed for trial at the mint Thinks Govt would gain in given transactions at least ‡ per cent. Every passing year demonstrates soundness of Commissiou's rating If high value fived, gold would have been overvalued and silver driven out Price of sovereigns still falling, and expected soon to fall to Rs 10 4 Mr Strachey's proposal in opposition to authorities and European practice Arguments illustrated by course followed by France and America Another difficulty in introducing gold through in international currency Mint charges in Eugland, Sydney, France, America, Prussia, and India Change of standard in France and United States, standard of other countries """ 1649 170 170 170 170 170 170 170 17			,,
Deduction from the facts, that rating of Rs 10-4 is sound and scientific Rating also agrees with Act, Mi Strachcy's argument on this point Example of relative value varying with price of silver in London Conditions in India not same as in England, so that latter should determine real value As matter of fact, India has of late received more silver from China thau England Reason why relative value differs in India from that in England Example, showing relative value of gold piece not far from 15 to 1 Proportional value in London assumed by Mr Strachey, not applicable to India Loss in conveiting sovereigns into modurs by Colonel Hyde's method, imaginary Method tested by calculation, loss ‡ per cent instead of 142 Three practical tests proposed for trial at the mint Thinks Govt would gain in given transactions at least ‡ per cent. Livery passing year demonstrates soundness of Commissiou's rating If high value fixed, gold would have been overvalued and silver driven out Price of sovereigns still falling, and expected soon to fall to Rs 10 4 Mr Strachey's proposal in opposition to authorities and European practice Arguments illustrated by course followed by France and America Another difficulty in introducing gold through an international currency Mint charges in Eugland, Sydney, France, America, Prussia, and India Change of standurd in France and United States, standard of other countries """ """ """ """ """ """ """		•	
Rating also agrees with Act, Mi Strachey's argument on this point Example of relative value varying with price of silver in London Conditions in India not same as in England, so that latter should determine real value As matter of fact, India has of late received more silver from China than England Reason why relative value differs in India from that in England Example, showing relative value of gold piece not far from 15 to 1 Proportional value in London assumed by Mr Strachey, not applicable to India Loss in converting sovereigns into moburs by Colonel Hyde's method, imaginary Method tested by calculation, loss ‡ per cent instead of 142 Three practical tests proposed for trial at the mint Thinks Govt would gain in given transactions at least ‡ per cent. Every passing year demonstrates soundness of Commissiou's rating If high value fixed, gold would have been overvalued and silver driven out Price of sovereigns still falling, and expected soon to fall to Rs 10 4 Mr Strachey's proposal in opposition to authorities and European practice Arguments illustrated by course followed by France and America Another difficulty in introducing gold through an international currency Mint charges in Eugland, Sydney, Frince, America, Prussia, and India Change of standard in France and United States, standard of other countries """ """ """ """ """ """ """			-
Example of relative value varying with price of silver in London Conditions in India not same as in England, so that latter should determine real value As matter of fact, India has of late received more silver from China thau England Reason why relative value differs in India from that in England Example, showing relative value of gold piece not far from 15 to 1 Proportional value in London assumed by Mr Strachey, not applicable to India Loss in converting sovereigns into mohurs by Colonel Hydo's method, imaginary Method tested by calculation, loss ‡ per cent instead of 1 42 Three practical tests proposed for trial at the mint Thinks Govt would gain in given transactions at least ‡ per cent. Livery passing year demonstrates soundness of Commissiou's rating If high value fixed, gold would have been overvalued and silver driven out Price of sovereigns still falling, and expected soon to fall to Rs 10 4 Mir Strachey's proposal in opposition to authorities and European practice Arguments illustrated by course followed by France and America Another difficulty in introducing gold through an international currency Mint charges in Eugland, Sydney, France, America, Prussia, and India Change of standard in France and United States, standard of other countries """ "" "" "" "" "" "" "" ""		. 1	
Conditions in India not same as in England, so that latter should determine real value As matter of fact, India has of late received more silver from China thau England Reason why relative value differs in India from that in England Example, showing relative value of gold piece not far from 15 to 1 Proportional value in London assumed by Mr Strachey, not applicable to India Loss in converting sovereigns into moburs by Colonel Hyde's method, imaginary Method tested by calculation, loss ‡ per cent instead of 142 Three practical tests proposed for trial at the mint Thinks Govt would gain in given transactions at least ‡ per cent. Livery passing year demonstrates soundness of Commissiou's rating If high value fived, gold would have been overvalued and silver driven out Price of sovereigns still falling, and expected soon to fall to Rs 10 4 Mr Strachey's proposal in opposition to authorities and European practice Arguments illustrated by course followed by France and America Another difficulty in introducing gold through an international currency Mint charges in Eugland, Sydney, France, America, Prussia, and India Change of standard in France and United States, standard of other countries """ """ """ """ """ """ """	Example of relative value varying with price of silver in London	•	
As matter of fact, India has of late received more silver from China thau England Reason why relative value differs in India from that in England Example, showing relative value of gold piece not far from 15 to 1 Proportional value in London assumed by Mr Strachey, not applicable to India Loss in conveiting sovereigns into mohurs by Colonel Hyde's method, imaginary Method tested by calculation, loss ‡ per cent instead of 142 Three practical tests proposed for trial at the mint Thinks Govt would gain in given transactions at least ‡ per cent. Livery passing year demonstrates soundness of Commissiou's rating If high value fixed, gold would have been overvalued and silver driven out Price of sovereigns still falling, and expected soon to fall to Rs 10 4 Mir Strachey's proposal in opposition to authorities and European practice Arguments illustrated by course followed by France and America Another difficulty in introducing gold through an international currency Mint charges in Eugland, Sydney, France, America, Prussia, and India Change of standard in France and United States, standard of other countries """ """ """ """ """ """ """ """ """	Conditions in India not same as in England, so that latter should determine real value	1e	
Example, showing relative value of gold piece not far from 15 to 1 Proportional value in London assumed by Mr Strachey, not applicable to India Loss in converting sovereigns into moburs by Colonel Hyde's method, imaginary Method tested by calculation, loss 4 per cent instead of 142 Three practical tests proposed for trial at the mint Thinks Govt would gain in given transactions at least 4 per cent. Every passing year demonstrates soundness of Commissiou's rating If high value fixed, gold would have been overvalued and silver driven out Price of sovereigns still falling, and expected soon to fall to Rs 10 4 Mir Strachey's proposal in opposition to authorities and European practice Arguments illustrated by course followed by France and America Another difficulty in introducing gold through an international currency Mint charges in Eugland, Sydney, France, America, Prussia, and India Change of standard in France and United States, standard of other countries	As matter of fact, India has of late received more silver from China thau England	•	
Proportional value in London assumed by Mr Strachey, not applicable to India Loss in conveiting sovereigns into modurs by Colonel Hyde's method, imaginary Method tested by calculation, loss 4 per cent instead of 1 42 Three practical tests proposed for trial at the mint Thinks Govt would gain in given transactions at least 4 per cent. Every passing year demonstrates soundness of Commissiou's rating If high value fixed, gold would have been overvalued and silver driven out Price of sovereigns still falling, and expected soon to fall to Rs 10 4 Mir Strachey's proposal in opposition to authorities and European practice Arguments illustrated by course followed by France and America Another difficulty in introducing gold through an international currency Mint charges in Eugland, Sydney, France, America, Prussia, and India Change of standard in France and United States, standard of other countries			>3
Loss in converting sovereigns into modurs by Colonel Hyde's method, imaginary Method tested by calculation, loss 4 per cent instead of 1.42 Three practical tests proposed for trial at the mint Thinks Govt would gain in given transactions at least 4 per cent. Every passing year demonstrates soundness of Commissiou's rating If high value fixed, gold would have been overvalued and silver driven out Price of sovereigns still falling, and expected soon to fall to Rs. 10.4 Mir Strachey's proposal in opposition to authorities and European practice Arguments illustrated by course followed by France and America. Another difficulty in introducing gold through an international currency Mint charges in Eugland, Sydney, France, America, Prussia, and India. Change of standard in France and United States, standard of other countries."			22
Method tested by calculation, loss 4 per cent instead of 142 Three practical tests proposed for trial at the mint Thinks Govt would gain in given transactions at least 4 per cent. Every passing year demonstrates soundness of Commissiou's rating If high value fixed, gold would have been overvalued and silver driven out Price of sovereigns still falling, and expected soon to fall to Rs 104 Mir Strachey's proposal in opposition to authorities and European practice Arguments illustrated by course followed by France and America Another difficulty in introducing gold through an international currency Mint charges in Eugland, Sydney, France, America, Prussia, and India Change of standard in France and United States, standard of other countries	Loss in converting sovereigns into mobile by Colonel Hydo's pathod amounted		551
Three practical tests proposed for trial at the mint Thinks Govt would gain in given transactions at least 4 per cent. Livery passing year demonstrates soundness of Commissiou's rating If high value fixed, gold would have been overvalued and silver driven out Price of sovereigns still falling, and expected soon to fall to Rs 10 4 Mir Strachey's proposal in opposition to authorities and European practice Arguments illustrated by course followed by France and America Another difficulty in introducing gold through an international currency Mint charges in Eugland, Sydney, France, America, Prussia, and India Change of standard in France and United States, standard of other countries	Method tested by calculation, loss 4 per cent instead of 142	•	,, 550
Thinks Govt would gain in given transactions at least 4 per cent. Livery passing year demonstrates soundness of Commissiou's rating If high value fixed, gold would have been overvalued and silver driven out Price of sovereigns still falling, and expected soon to fall to Rs 10 4 Mr Strachey's proposal in opposition to authorities and European practice Arguments illustrated by course followed by France and America Another difficulty in introducing gold through an international currency Mint charges in Eugland, Sydney, France, America, Prussia, and India Change of standard in France and United States, standard of other countries """ """ """ """ """ """ """	Three practical tests proposed for trial at the mint		002
Every passing year demonstrates soundness of Commission's rating If high value fixed, gold would have been overvalued and silver driven out Price of sovereigns still falling, and expected soon to fall to Rs 10 4 Mr Strachey's proposal in opposition to authorities and European practice Arguments illustrated by course followed by France and America Another difficulty in introducing gold through an international currency Mint charges in Eugland, Sydney, France, America, Prussia, and India Change of standard in France and United States, standard of other countries """ ""	Thinks Govt would gain in given transactions at least 4 per cent.		553
Price of sovereigns still falling, and expected soon to fall to Rs 10 4 Mr Strachey's proposal in opposition to authorities and European practice Arguments illustrated by course followed by France and America Another difficulty in introducing gold through an international currency Mint charges in Eugland, Sydney, France, America, Prussia, and India Change of standard in France and United States, standard of other countries	Livery passing year demonstrates soundness of Commissiou's rating		
Mr Strachey's proposal in opposition to authorities and European practice Arguments illustrated by course followed by France and America Another difficulty in introducing gold through an international currency Mint charges in Eugland, Sydney, France, America, Prussia, and India Change of standard in France and United States, standard of other countries """	It high value fixed, gold would have been overvalued and silver driven out		
Arguments illustrated by course followed by France and America Another difficulty in introducing gold through an international currency Mint charges in Eugland, Sydney, France, America, Prussia, and India Change of standard in France and United States, standard of other countries """ """	Mr. Strucker's proposal in appropriation to cartherine and Eventual and		
Another difficulty in introducing gold through an international currency Mint charges in Eugland, Sydney, France, America, Prussia, and India Change of standard in France and United States, standard of other countries """	Arguments illustrated by course followed by France and America		"
Mint charges in Eugland, Sydney, France, America, Prussia, and India Change of standard in France and United States, standard of other countries """ """	Another difficulty in introducing gold through all international currency		₽00
Change of standard in France and United States, standard of other countries	Mint charges in Eugland, Sydney, France, America, Prussia, and India	••	
Date - As seems of Joseph T. Leader I. Leader I. Company T. Leader I. Co	Change of standard in France and United States, standard of other countries		
	Refers to reign of James 1 to show danger of overvaluing gold		

	PAGE
GOLD CURRENCY—continued	555
Necessary to leafe untouched our present measure of value, the rupes	556
Every recognised authority gives preference to a single gold standard Approves conclusion of majority of Council on the subject	
Relative proportion of gold and silver coined before and since Act of 1835	
hote by M E Gay Deputy Comptroller General, on Mr Dickson e proposal	557
Approves; free exchange of gold for silver safest to ensure progress	=
Offer of free exchange not to be hastily revoked if importation is desired	ũ
Hence danger if measure do not succeed, of sovereigns accumulating	n
Mr Dickson shows risk to be small; large belances in favour of trial	,,
Advantages a d drewbacks, if price of sovereign is guaranteed in India	
Doubts if any measure for a gold standard can be an improvement	200
Kole by Mr R. B. Chapman, Financial Secretary dated 7th March 1872	- 110
Subject approached with diffidence; divided into two questions	558
On fir t question if gold standard is desired, finds nothing but assumption	**
Neither Commission per Lord Sandhurst throws much light on point	*
That gold is proper standard for a nation in any stage, not to be assumed	*
Any decided step now would be a leap in the dark; hesitancy of advocates	19
Gold and after cannot both circulate for long as standards of value One must out the other even though relative value be exactly fixed	ธธีย
If gold becomes standard, enough silver required for subsidiary use	
filter coinage must then beer nominal value and become token coinage	*
Long before messes with their small transactions will use gold	"
Possible consequences of substituting token for full value currency	<u>"</u>
Lord Sandburst a remarks against paper currency in relation to gold, quoted	- 5
Same arguments apply against allver token currency with gold standard	660
Effect on nativa mind should be considered before making a change	
Fridence before Commission defects o; would wait till gold be forced on us	
No demend now; demand in cotton crists has subsided	,,,
At close of American was excess of exports over imports fell, and pressure ceased	6ชี1
Demand for eliver may again increase, making import of gold profitable	661
Then the peoper time to consider question of change of standard	- "
Gold ecceptable to tradig lasses but people do not want it as currency	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Peper currency has supplied great cities on hasis of allver standard 2nd question, what to be done if gold standard be introduced	
But one an wer gold to be rated favourably and made legal tender	*
Gist of Mr D ekson s proposal, sovereigns t be exchangeable at Currency Offices for allver	*
Caunot recommend measure till Government is prepared to concede legal tender	~
Measure can has a no effect on account of high price of sovereigns	
Finds no solid reason to expect that soverelens will be given at Rs. 10-4	503
Some effect from security given to import of gold, but greater if made legal tender	
Not even then will people give for Rs. 10-4 what is worth Rs. 10-7	,,,
Should high exchange make sorgu. Ra. 10, plenty would come but Govt, would pay	
too much	
Agrees with Sir C Trevelyan that gold should not be exchanged for notes unless made legal tender	
Mr. Dicks me argument that sorgue, can be remlitted at 1s 111d no sufficient answer	-
Does not agree with him that we should take in gold and give out none	*
This would require high cash balances to be maintained for the purpose	
Only consideration bould be the smallest sum for work of administration	ะซื้อ
High bal nees may occaviously be needful for loss operations and the like	
But not advisable for currency purposes, lavolving cost for interest	
Ft tement appeaded, showing gold coming into the country freely	-
Would take no steps at present, but let well slone till proper time	
Et tement f gold and shiver imports and exports, 18,0-51 to 1875-78	tei
Not by M. H. Sa dense Off lat my Comptroller General, 28th March 1872	
Leaf question whether public require introduction of gold standard Condition of masses who find copper colors and shell tokens sufficient	
The better of have paper money possess no facilities for remittance	663
These better off have paper money possessing facilities for remittance Man arguments wiged in 1866 against eliver have proved I licelous	-
the in the forintroduce good se tegal tender for a long time to come	
Chi though that was benefit, if we do more than supply wants for convenience	-
" / mp/ wa d tel 8th July 1873	r
From the property to be adjusted from the date to the state of the sta	

•			
		₩.	PAGE
GOLD CURRENCY,—concluded	-leaf of mood at most of mottor		EGE
This a real need of India, belief or dish Recommendations of June 1872 recapitu	loted a restill of same mind	-	565 566
Proposed subsidiary measures can do no	harm, and in one way will do g	ood .	
This shown, still asks that proposed two	steps be taken		73 93
Explains object of proposing a Commission	on to investigate relative values	3 .	,,
Resumé of past measures, gold not prese	ented at treasury for some time		567
Sovereigns to limited extent imported, co		s 10-8	29
Gold imported in same period less, silve			,,,
Relative proportion of import of gold to		ian ever	>>
Silver comed since 1869 much less than a But comage of gold greater, proportion		• • • • • • • • • • • • • • • • • • • •	3)
Table subjoined in illustration, commen		***	568
On whole, prospect of gold finding way i		••	,,
Question arises, whether rate of Rs 10-4	for sovgn and Rs 10 for gold p		"
Opposing views of authorities, Commiss		10n	"
Relative value had to be ascertained on a		•	5 69
But approximate average valuation to be			"
Question to be propounded to Commission When opinion obtained, further reference		end end	**
By this means Government would be ab		n	"
Gold to be declared legal tender at the ra		••	570
In first inctance, gold not to be made sol	a tander but alver with it		"
If gold made sole tender, there would p	robably not be enough for circu	lation	,,
Dut it exists inigery in country, this see	1 110m unborts minus exports		,,,
Balance of trade would be largely adjust	ed in gold when legal tender	·	٠,
Silver to remain legal tender till gold as Effect described of gold and silver being			571
Objections to double standard apply only			
This must be endured till opportunity of			,,
If silver at first holds its own, no harm v	would follow from double stand	ard .	, ,
If gold flows in, that the moment for de-	claring it sole standard		,,
Delay in attaining result to be expected		uld be prepared	
Absence of pressure not a reason for not		**	572
Government should be ready beforehand Resolution of Government of India, dated		/ steps —	"
Government not prepared at present to t		gold as legal	,,,
standard		· ·	,,
Extract from evidence of Sir J C Melv		th July 1853	573
His memorandum on a gold currency for	India		"
GOLD LEAF, see GOLD GOLD MOHUR coined at mint, no longer receiv	rod as voronno		
Real oucs made by forgers, who profit by	the premum	• ••	$\begin{array}{c} 2 \\ 160 \end{array}$
Details of four cases in Appendix 4, one	on scale of a mint		
Price fixed by XVII of 1835 nearly the	present average market price		3 42
GOVERNMENT OF BOMBAY, to Government of			42
Forwards memorial of Bombay Chamber		t of India	"
Also minutes recorded by members of Go Minute by Commander-in-Chief promised			11
Government of India, 19th March 1864,	forwarding minute of Sir W. Mi	anefield C -in-C	43 70
To Government of Inaia, 26th August 1	864	insucia o in-o	272A
Forwarding copy of letter to Secy of St	ate, transmitting Commander-in	-Chief's minute	"
To Secretary of State, 23rd August 186			"
Transmitting minute of Sir W R Mails	field on Sir C E Trevelyan's n	nnute	,,
Also, retnru from Mint Master of price of To Secy of State, sending Sir W. Mansfi	old's munito on Sir C. Trocols ar	y since 1990	" ? ((-
Also, Must Master's return of price of En	aglish sovercigns in Bombay sir	100 1830	316
To Govt of India, with letter from new	Bank of Bombay, and expressi	ng coucuirence	361
To Government of India, 14th September	er 1868, forwarding corresponde	nce	403
Summary of opinions, concurs generally	, legal tender necessary to succ	ess	,,
Opinion of Governor in Council, unable Legal tender to apply generally, and not	to suggest answer to first quest	ion	40.1
Proposes gold pieces of standard of Act,		>	404
Sov. to be reed at treasures and Current	cy Offices at market rate subject	to alteration	27 27
Objections brought against double stands			"
			

	PAG
GOVERNMENT OF BOMBAT -confined.	40
Limit to amount of silver as legal tender, for after consideration To Gort of India, 23th Sept. 1868, forwarding letter from Mr. Morris, Agent, Agra Bank	
To Gort of India, endorsement, 9th October 1863, submitting Colir of Surat's letter	
GOYXEXMEET OF INDIA, to Bengal Chamber f Commerce dated 11th June 1859	
I undamental objection to proposal, fluctuating value of gold and allver	
Another objection, loss to individuals in changing gold in baser for aliver	,,,
Law existing in England furnishes no parallel to measure proposed	,,,
Greater inconvenience of making gold antakliary currency than silver. Government have right to pry in gold as well as public; effect of this in paying interest	
on securities On securities at taking to had no flow as were as broom I among our rate or failure inverses.	
Proposal open to all the objections urged against a double standard	
Opinion, that present most unfavourable time for the change	
Objections of mative shroffs and merchants considered and answered	(
Portableness and facility of hearding no ground for making gold legal tender	,
Scarcity of aller and disarrangement of our markets no reason for injuring India Price paid in England per ounce of eiter not sufficient evidence	-
To Secretary of State, 29th December 1859 forwarding Mr. Wilson a minute	2
To Bombay Association 29th February 1884; subject under consideration	4
To Bengal Chambe 29th Pebruary 1864	4
Subject under consideration; committee of inquiry not necessary	6
To Covernment of Bombay 18th March 1864; subject under consideration	
To Madras Chamber 28th May 1864; subject under consideration To Government of M d as 12th October 1858	14 23
Asks on what grounds Bs. 10 was assumed as par value of sovereign	23
Proper course if necessity arose, to receive at market value	,
Doubts necessity at Tanjore; not scarcity of silver but plathors of sovereigns	
Attention drawn to prohibition; sovereigns received must be sold	. 5.
Resol to in Francial Department dated 12th July 1884 SI C. E. Trevelyan miouto to be published at Calcutta in Gazzite of India	27.
Intimation that Beeretary of State will be addressed in favour of proposale	*
To Secretary of State dated 14th July 1801	278
Concurs in main proposale; sovereign to be legal tender in India at Rs. 10	-
Currency notes exchangeable for rupees and sovereigns, not for bullion	*
Immediate effect proposed Indian mints require apparatus	*
To Gard N W P., Lith Sept. 1804; Lt. Govr a view of question of Mr Muir's minute sound	281
Fortune objections to period cal adjustment of values of gold and silver	# N
Not necessary to enter on them; if gold lowered, allrey would also fall	~
Probable that depreciation of both metala has reached limit	-83
To Sery of State 12th Sept. 1801 sanding correspondence with Gort. N W P	810
To Seey of St. te 3rd Dec. 1864, forwarding notifies, and Sir C. Trevelyan a minute	815
To Seey D ak f Be gal 23rd March 1883, thunking M Dickson for his letter To Seey of Stat "lat March 1865; main points in Mr Dickson a letter	
Povereigns paid at its, 10 at many Currency Offices as well as at treasuries	323
Proved that to decla a sov legal tender would not be insperative in many places	•
Proposes that it be declared such throughout British domi lons T Secy f 8t to 18th Sept. 1885 reporting arrangements for sending sors to England	5~7
To Seey of State "5th Sept. 1565 forwarding advice of shipment, with policies	320
To Bengal Chamber 1st February 1866; concurs in suggestion for a Commission	331
Luquiry to be as to working of XIX of 1861; asks for two nominations	333
Recol tion 3rd Feb 1866; Commission appointed; subject for enquiry	
Resolution on report of Currency Commission, 10th October 1866 Report ordered for publication; thanks to members	3.0
T Gert of Bambay Oth Jan. 1800; inconvenience of Bank of Bom. how to be obvioted	360
Large accumulation of sors, not expected at percent prices	+
No int ution to interfere with agreement entered into with Blank	-
To Me t M eters; course when sors, accumulate in Currency Dept	370
Instructions to Compt. Genl., Head Cemmr Paper Cur., Accits. Genl. and Commr of	
Circle offices to give potes or eliver for sors,, but not pay out sors.	371
To II d Commer., Paper Cur., 4th Feb. 1869; intention expld.; orders to be interpreted	
aeccedingly	372
Little or no loss like y to be incurred from coloing sors. Into Iodian pieces	273
Seignorage not to be charged to treasy, nor to public on sors, tendered as bullion Opinion saked on point, and on question of no charge for coining bars and builion	874
al tone march on Lambana on deserves of popperite tot countil fall fill for fortion	

Commence of Toron and toron	PAGE
OVERNMENT OF INDIA —continued Not likely that treasures will be inconvenienced by accumulations	374
Should this happen, treasures to send the sove to must for coinago Other contingencies arranged for, further measures to be considered hereafter To Local Gants, 30th June 1868	375 . 380
Asks for opinion on several points mooted by Sir R Temple	
1st point, whether equivalent of Rs 10 for sovs, should not be revised	381
Competent persons to be consulted as to pieciso rate for sovs	382
Also, whether prohibitory proclamation of 1852 should be withdrawn	, ,,
And whether standard value of XVII of 1835 or some other should be taken	. 383
Not prepired to declare legal tender till offect of tentativo measure is seen Mi Dickson, Secy, Bank of Bengal, consulted direct	***),
To Secy, Bank of Bengal, torwards correspondence and asks opinion	. 384
To Secy of State, 23rd Dec 1868, resume of previous despatches	439
India never without gold coinage, Act of 1835 put it on proper footing	440
Temporary success of notification of 1864 due to state of exchanges	., ,,
Since 1861 65 notify ceased to have effect in bringing in sovs	,,
Cause of this, that offer of Rs 10 is below market value	٠ ,,
Further reason for revising value of sox and equalising it with pieces of Act Decided, to receive sovs at Rs 104, this notified accordingly	• 55
Reasons for not fixing a higher rate, scheme promises well	441
Indian gold managales notified to be received at valuation of A at	442
Apprehension of 185? groundless, comage going on notwithstanding	
Fin Dept to determine what to be done in event of superfluity of soys	** ;;
Experience will show whether sovs or Indian pieces are preferred	, ,,
Hitherto 15 rupes pieces coined, intention to coin 10 and 5 rupes pieces	. 443
Present measure tentative, and with view to declaring gold legal tender	"
Mr Stracher dissents from substance of despatch, his minute to follow. To Secretary of State, dated 15th February 1869	"
Forwarding minutes of Mr Srachey, Sir W Mansfield and Sir R Temple	51 1
To Head Commissioner of Paper Currency, dated 21th November 1869	5 13
Desiring that weights be constructed to test minimum weight of coins	
To Mint Master, Calcutta, instruction to com 10 and 5-rupee pieces	. 514
Resolution, dated 7th May 1874	572
Not prepared at present to take steps for recognising gold as legal standard	٠ ,,
GOVERNMENT OF MADRAS, order, 24th June 1858, on Tanjore Collector's proposa Accountant General to report	
Order, 29th June 1858, forwarding Acett Genl's report to Collector of Tanjore	219
Asks if pressure is likely to last, Board to give full information	220
Order, 14th July 1858, on Tanjore Collector's letter, full report awaited	223
To Govt of India, 14th Sept 1858, asks permission to receive sovereigns as revenue	228
This allowed in Tanjore as a temporary measure for reasons stated	. 229
Order, 22nd September 1858, permitting sovereigns to be issued at Tanjore To Government of India, 22nd September 1858, reporting for confirmation	231
Order, 29th October 1858, Accountant General's letter regarding sale of gold records	رر 2000 آپ
Order, 5th November 1858, prohibiting receipt and issue of sovereigns	994
To Government of India, 27th November 1858, submitting Accountant General	l's
letter on sale of sovereigns	. 235
Order, 25th February 1859, Accountant General's further report of sale, filed	236
Order, 15th July 1859, Accountant General's further report of sale, filed Order, 21st September 1859, Accountant General's further report of sale, recorded	237
To Government of India, dated 30th December 1868	238
Sending minutes of Governor and Mr Arbntlinot, and letters from others	443
GOVERNMENT OF N W Provinces, to Government of India, dated 25th August 1864.	273
Forwards Sudder Board's letter and minute of Lient Governor on gold currency	,,
GOVERNMENT SECURITIES —See SECURITIES	••
GOVERNOR OF BOMBAY'S (Sir B Frere's) minute, 23rd February 1864, supporting memori of Chamber of Commerce	
Our duty to prepare way for change which may be forced on us	46~
Would in first place act on last clause in Section 9, Act XIX of 1861	. 47
Effect to substitute gold for silver largely, and expand use of (n)) uck notes	"
Absorption of silver not due entirely to hoarding but to use in bizars in lieu of horte	r "
Objection met, of embarrassment from accumulation of gold in treasury, Probable further changes, alteration of standard a future eventuality	,,
GOVERNOR OF MADRAS, minute, dated 7th December 1868	48
Concurs with Mr Sim, but differs on expediency of gold coinage	. 472
,	

	PAS
GOVERNOR OF MADRIS—continued Not needful to receive sovereigns at fixed value; revenue must be paid in legal tender	473
Impossible to fix value; rate of Rs. 10-4 will not draw in large quantity	7//
Rate should be made Ra. 10-8 at once to draw but would not take risk	47
Only proper method to make gold legal tender; all else nibbling at question	,,
Another objection to a fixed value, there are two sovereigns differing in value	,
Government may buy them at same price but not so dispose of them	•
Gold pieces of Rs. 10, if not legal tender should not be coined at all Without legal tender question of standard value falls to the ground	
Probiblion of gold moburs may be withdrawn sofely yet without advantage	47
"Thinks discussion of 1884 has disposed of general question of gold	
Reasons still v lid; new motives of action in late discoveries of silver	. ,,
HARRISON MR. E. P., Comptroller General, to Government of India 23nd March 1869	51
No minimum weight fixed by XVII of 1835 or XXXV of 1798 or 11 of 1812	-
Minimum weight should be fixed, as in case of sovereigns and helf-sovereigns. Colonel Hyda of opinion that allowance for 15-rupes piece should be same as for sov	
Allowance for sovereigns and half-sovereigns differently given in Tate's Cambist	,
Proposes rates of allowance for wear of gold coins; mint master to be instructed	
Harrison Mr. R. P., Accountant General, to Government of India, 7th September 1865	83
Forwards Bengal Bank a letter on arrangement for sending severeigns to England	23
To Government of India, forwarding Bank's advice of shipment and policies	
HATHAWAY MR. A., Acting Collector of Madura, to Madras Board 9th July 1858 No sovereigns tendered as revenue, this being prohibited, but gold largely introduced	23
HEAD COMMENSIONER OF PAPER CURRENCY See COLONEL H HYDR,	
HEOTOR, Mr. J to Government of Bombay 18th August 1868	40
Ist I troduction of sovereigns at Re 10 impracticable; grounds for this opinion	40
20d & 3rd; rate to be taken for covereign, and rate for gold please not easily determined	40
Whatever rate be taken for sovereigns, relative value will fluctuate Safest plan to take everage rate of bullion as shown by correspoy commission	
Lord Dalhousie a proclamation of 18-2, gold instead of falling has risen	*
Retaining rupee as alternative legal tebder will beck advance in gold	40
This, with gold direct from Austr lia, will keep price in equilibrio	,
Hourds will be brought out if gold possessed a currency valua	н
On whole would coin 10 and 5 rupors places with one-tenth alloy. Sovereigns to circulate at rat, while he they may bear to Indian coin.	
4th and 5th; not only desirable but needful to make gold legal tender	
Otherwise same result as in 1865 to wit, accumulation, will follow	
Public led by C vernment; no malety without giving gold a currency value	40
Well not make gold sole tander at once; how this would defeat the object	
Gold to be introduced by degrees, aliver being alternative standard D fleuisies of double standard largely functiful; in this case unavoidable	40
Introduction of F glish erstem in its integrity open to objections stated	-
lilso in all er a few years ago, checked by falling off of exports and new mines	41
Another advantage of gold, facilit ting elegiation of currency note	41
Adv utage would be better seen if circles of issue were amulgamated	43
HOFE, ME. T. C. COLLECTOR OF SURAY to Government of Bombay 5th September 1808	
Int recence with exi ting rupes coinage would be very nupopular	22
Gold coins, a should be multiple of rupee; proposes pieces of 10 and 5 Rs.	
But these will be in little f your and use, unless made legal tender	43
Fees no reason for hesitating and wasting time in experiments	43
Evil of double stand rd exist chicily on paper and in imagination Consinced that legal tender gold-piece will be taken at full value	
Price (powerigns; fluctuations show high prices to be due to scarcity	**
True value of its. 10 1 the proper price for Government to receive it at	-
If gold pieces made legal tender question of sovereigns becomes unimportant	**
HYDE, CAPTAIN Marter of Calcutta Mint to Sir C. E. Trevelyan, 7th June 1804 Finds proceedings of magistrate of Howresh in a case in which dice were found	21:
Particulars of two other cases, with profit made by colners	8.7
I street from proceedings of Magletrate bearing on the case	zï
HIDE, COLOURE II., Head Com of I per Currency to Government of India 11th January	,
19 J; will carry out orders	37
Asks instruction on course to be followed in certain eventualities To Overnment of India, 6th March 1809	δÏ
Extra minum 11.1 Command and a command a command and a command a command and a command and a command and a command and a command a command and a command and a command and a command a c	013

STORTS AND EXPORTS Statement of value of gold and silver exported and imported from and to Bombisy Of merchanduse and treasure, 1817 48 to 1863-64, App 2 A. Details of merchanduse, gold and silver, in 1863 64 Of merchanduse and treasure, Bengal Presidency, 1860 61 to 1863-64, App 2 A. Same in Madras Presidency, App 2 B. Same in Bombay Presidency, App 2 B. Some in Bombay Presidency, App 2 C. Value of, to and from seaports of British Burmah, 1860 61 to 1863-64, App 2 D. Of gold and silver, 1850 61 to 1875-76 Ingor Curring of the state of the season of season of the season of th		PAGI
from and to Bombay Of merchandise, gold and silver, in 1863-64, App 2 A. Details of merchandise, gold and silver, in 1863-64 Of merchandise and trensiue, Bengal Presidency, 1860-61 to 1863-61, App 2 A. Same in Madras Previdency, App 2 B. Same in Bombay Previdency Of gold and silver, 1850-61 to 1875-76 Froot Currentor originated by tho people in Bombay. This done in face of discouragements Interpretation of the same of gold, demand continues to increase Opution of a writer in 'Westminister Review' offed Also of Dr. Nassau Lees, in milerientate but in gold standard Possible fall in value of gold a bugnear, review quoted Supports payer of memorial and Mr. Cassels' letter of 1st January 1864 Statement of value of gold and silver exported and imported from and to Bombay JUGADREL Particulars of a case of coming inclurs which occurred thero Coming not confined to Jugadree, but extends to Dellin, Roorkee and other places Kennedy, Mr. D., Cannopore Agent of Bengal Bank. See Bank of Bragal Director, 2nd June 1864 Gold currency in Cutch for last 7 years, name of cour, Korea , value and use Laine, Mr. S. Kutrect from uninte on Paper Currency Bill Opposed to provision which would exclude gold altogether from circulation Dissents from Mr. Wilson's anguinent against ann form of double standard And from fundamental objection of brench of faith by paring in gold Instances countries which have claimed standard valuency transactions If Indian currency cerented de now, that of England to be preferred Difficult now, with silver standard and ammanges short ending a standard Reasons why not advisable at present to have double standard Reasons w	IMPORTS See IMPORTS AND EXPORTS	
Of merelanduse and treasure, 1817 48 to 1863-64, App 2 A. Details of merelanduse, gold and sulter, in 1863-64 Of merelanduse and treasure, Bengal Presidency, 1860-61 to 1863-61, App 2 A. Same in Madras Presidency, App 2 B. Same in Bombay Presidency, App 2 C. Value of, to and hom scapoits of British Burmah, 1860-61 to 1863-64, App 2 D. Of gold and siver, 1850-61 to 1875-75 INGOOT CURRINGY originated by the people in Bombay. This done in face of discouragements INYERABITY, Min D, manute by, 29th February 1864, president's proposal insufficient Appends statement showing excess of imports of silver over exports, 1854-55 to 1862-63 Also, the same of gold, dumand continues to increase Opinion of a writer in Westimister Review ented Also of Dr Nassau Lees, no alternative but a gold standard Possible fall in value of gold and silver exported and imported from and to Bombay JUGADEE Particulars of a case of coming indivisive which occurred their of Coming not confined to Jugadree, but extends to Delhi, Roorkee and other places KENNEDY, Mi D, Campore Agent of Bengri Bank. See Bank or Byr864 KURRAGHE. Letter of Manuger of Sciude, Punjah and Delhi Bank, to Managing Director, 2nd June 1864 Gold currency in Cutch foi last 7 years, name of con, Korea, value and use LAING, Mir S Extract from minute on Paper Currency Bill Opposed to provision which would evalued gold integether from circulation Dissents from Mr Wilson's argument against any form of double standard And from fundamential objection of breath of finith by paving in gold Instances countries which have changed standard without such breach Admit difficulty of introducing gold and sulversery and banking Step in December 1852 of refusing gold at Government ticessires, a mistake Undesimble to exclude gold entirely from range of monetary transactions If Indian currency errented do not, that of England to be preferred Difficulties of double standard and ammense silver counag Step in December 1852 of refusing gold at Government ticessures, a mistake Undesimble to exc		ربر
Details of merchandise, gold and silver, in 1863 64 Of merchandise and treasure, Bengral Presidency, 1860 61 to 1863-61, App 2 A Same in Madras Presidency, App 2 C Value of, to and from seaports of British Burmah, 1860 61 to 1863-64, App 2 D Of gold and silver, 1850 61 to 1875-76 INGOT CURRENCY originated by the people in Bombay . This done in face of discouragements INTERMINITY, Mr. D., muntle by, 29th February 1861, president's proposal insufficient Appends statement showing excess of imports of silver over exports, 1854 55 to 1862-63 Also, the same of gold, demand continues to increase Opinion of a writer in 'Westamister Review' cited Also of Dr. Nassau Lees, in onliteriative but a gold standard Possible fall in value of gold and silver exported and imported from and to Bombay Supports payer of nemoral and Mr. Cassed's letter of 1st January 1864 Statement of value of gold and silver exported and imported from and to Bombay JUGADREF Particulars of a case of coming moliurs which centred thero Coming not confined to Jugadree, but extends to Delha, Roorkee and other places Kennedy, Mr. D., Cawupore Agent of Bengal Bank. See Banks of Break. Kennedy, Mr. D., Cawupore Agent of Bengal Bank. See Banks of Break. Kennedy, Mr. D., Cawupore Agent of Bengal Bank. See Banks of Break. Kennedy, Mr. D., Cawupore Agent of Senide, Punjab and Delha Bank, to Managing Director, 2nd June 1864 Gold currency in Ottoh foi last 7 years, name of coin, Korea, value and use Laine, Mr. S. Extract from unnute on Paper Currency Bill Opposed to provision which would evolude gold altogether from circulation Dissents from Mr. Wilson's a igument against any form of double standard And from fundamental objection of binch of fault by paying in gold Instances countries which lance cluninged standard without such breach Admits difficulty of utroducing gold along with present currency Would provide paper circulation of binch of fault by paying in gold How rate should be fixed to provent loss, advantages of such a provision Extracted from innute, 7th	Of maralandisa and transpire 1847 48 to 1863-64. App. 2 A.	
Of merchandise and treasure, Bengal Presidency, 1860 61 to 1863-61, App 2 A Same in Madras Presidency, App 2 C Yalue of, to and from seaports of British Burmah, 1860 61 to 1863-64, App 2 D Of gold and silver, 1850 51 to 1875-76 INGOT CURRINGY originated by the people in Bombay. This done in fine of discouragements This done in fine of discouragements INVERABITY, Mir D, minute by, 29th February 1861, president's proposal insufficient Appends statement showing excess of imports of silver over exports, 1854 55 to 1862-63 Also, the same of gold, demand containes to increase Opinion of a writer in 'Westimuster Review' orted Also of Dr. Nassau Lees, no alternative but a gold standard Possible fall in value of gold and silver exported and imported from and to Bombay JUGADRE Particulars of a case of coming inolurs which occurred there Coming not confined to Jugadree, but extends to Della, Roorkee and other places Kurnedelle Letter of Manuager of Seinde, Punjab and Della Bank, to Managing Director, 2nd June 1864 Gold currency in Cutch for last 7 years, name of com, Korea, value and use Laino, Mir S. Extract from innuit on Paper Currency Bill Opposed to provision which would evalued gold altogether from airenlation Dissents from Mr Wilson's algument against any form of double standard And from fundamental objection of breach of faith by paying in gold Instances countries which have clanged standard without such breach Admits difficulty of introducing gold along with present currency Would provide paper circulation up to one-fourth, issued against gold at fixed rates periodically adjusted How rate should be fixed to provent loss, advantages of such a provision Extract from innuite, 7th May 1862, on currency and banking Step in December 1832 of refusing gold at Government Leusuries, a mistake Undestrable to exclude gold entirely from range of monetary transactions If Indian currency created de novo, that of England to be preferred Difficultion, with installed and advantages insisted on Would awrit experience of working of	Details of merchandise, gold and silver, in 1863 64	
Same in Bombay Presidency, App 2 C Value of, to and from senjorts of British Burmah, 1860 61 to 1863-64, App 2 D Of gold and silver, 1850 51 to 1875-76 INGOT CURREACY originated by the people in Bombay This done in face of discouragements Intersality, Min D, minute by, 29th February 1861, president's proposal insufficient Appends statement showing excess of imports of silver over exports, 1854 55 to 1862-63 Also, the same of gold, demand containes to increase Opinion of a writer in 'Westamister Review' cited Also of Dr Nassai Lees, no internative but a gold standard Possible fall in value of gold and Mr. Cassels' letter of 1st January 1864 Statement of value of gold and silver exported and imported from and to Bombay JUGADRE Particulars of a case of coming molius which occurred there Coming not confined to Jugadree, but extends to Della, Roorkee and other places KERNEDY, Mi D, Canupore Agent of Bengal Bank See Bank or Brygla. KURRACHEL Letter of Mainger of Senide, Punjab and Della Bank, to Managing Director, 2nd June 1864 Gold currency in Cutch foi last 7 years, name of coin, Korea, value and use LAINO, MR S Extract from minute on Paper Currency Bill Opposed to provision which would exclude gold altogether from circulation Dissents from Mr Wilson's a goment against any form of double standard And from fundamental objection of breach of fault by paying in gold Instances countries which have claimed standard without such breach Admits difficulty of introducing gold along with present currency Would provide paper circulation up to one-fourth, issued against gold at fixed rates periodically adjusted How rate should be fixed to prevent loss, advantages of such a provision Extract from innute, 7th May 1862, on currency and banking Does not agree with many of the objections against a double standard Oliget of clause in Bill cylamed, and advantages insisted on Would now, with silver standard and numence silver coining Does not agree with many of the objections against a double standard Oliget of clause in Bill cylam	Of merchandise and treasure, Bengul Presidency, 1860 61 to 1863-61, App 2 A	204
Value of, to and from sempots of British Burmah, 1860 61 to 1863-64, App 2 D Of gold and salver, 1850 51 to 1875-76 INGOT CURRENCY originated by the people in Bombay. This done in face of discouragements Appends statement showing excess of imports of silver over exports, 1854 55 to 1862-63 Also, the same of gold, demand continues to increase Opinion of a writer in 'Westimuster Review' cited Also of Dr Nassau Lees, in oliterinative but a gold standard Possible full in value of gold and silver experted and imported from and to Bombay Statement of value of gold and silver experted and imported from and to Bombay JUGADRE Particulars of a case of coming indivise which occurred thero Coming not confined to Jugadree, but extends to Della, Roorkee and other places Kennery Mi D, Cawapore Agent of Bengel Bank See Bank of Brngal Unrector, 2nd June 1864 Gold currency in Cutch for last 7 years, name of com, Korea, value and use Laing, Mr S Extract from minute on Paper Currency Bill Opposed to provision which would evelude gold ultegather from circulation Dissents from Mr Wilson's angument against any form of double standard And from fundamental objection of blench of first by paying in gold Instances countries which have changed standard validout such breach Admits difficulty of introducing gold along with present currency Would provide paper circulation up to one-fourth, issued against gold at fixed rates periodically adjusted How rate should be fixed to provent loss, advantages of such a provision Extract from minute, 7th May 1862, on currency and banking Step in December 1852 of refusing gold at Government the assuries, a mistake Undestinable to exclude gold entirely from range of monetary transactions If Indian currency created de novo, that of England to be preferred Difficult now, with silver standard and namenes silver counag. Does not agree with many of the objections against a double standard Olicet of clause in Bill explained, and advantages insisted on Would invite experience of working of now system before estab		
Of gold and silver, 1850 51 to 1875-76 INGOT CURRINGY originated by the people in Bombny	Same in Bombay Presidency, App. 2 C	
Instoor Currency originated by the people in Bombay. This done in face of discouragements Appends statement showing excess of imports of silver over exports, 1854 55 to 1862-63 Also, the same of gold, demand continues to increase. Opinion of a writer in 'Westimister Review' cited Also of Dr. Nassau Lees, in oliterinative but a gold standard Possible fall in value of gold and silver exported and imported from and to Bombay Statement of vinhe of gold and silver exported and imported from and to Bombay JUGADREY Particulars of a case of coming inclures which occurred there Coming not confined to Jugadree, but extends to Dellin, Roorkee and other phaces Kenned, Mi D., Canuporo Agent of Bengal Bank. See Bank or Bragan Kurrency, Mi D., Canuporo Agent of Sengal Bank. See Bank or Bragan Kurrency, 2nd June 1864. Gold currency in Cutch for last 7 years, name of com, Korea, value and use Lang, Mir S. Extract from innuite on Paper Currency Bill Opposed to provision which would exclude gold nlogether from circulation Dissents from Mr Wilson's argument against our form of double standard And from fundamental objection of breich of faith by paying in gold Instances countries which have changed standard without such breach Admits difficulty of introducing gold along with present currency Would provide paper circulation up to one-fourth, issued against gold at fixed rates perioducially adjusted How rate should be fixed to prevent loss, advantages of such a provision Extract from minute, 7th May 1862, on currency and banking Step in December 1852 of refusing gold at Government treasuries, a mistake Undesirable to exclude gold entirely from range of monetary transactions If Indian currency created do nove, that of England to be preferred Difficultation, with silver standard and immense silvor contage. Does not shy more advanced by Sir C Trevelyan under rating gold con Little effect on currency from measure, gold will be hoarded or used by travellers General circulation must for a long time to come con		
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Director, 2nd June 1864 Gold currency in Cutch for last 7 years, name of coin, Korea, value and use LAING, MR S Extract from minute on Paper Currency Bill Opposed to provision which would exclude gold ultogether from circulation Dissents from Mr Wilson's argument against any form of double standard And from fundamental objection of breach of faith by paying in gold Instances countries which lave changed standard without such breach Adamts difficulty of introducing gold along with present currency Would provide paper circulation up to one-fourth, issued against gold at fixed rates periodically adjusted How rate should be fixed to prevent loss, advantages of such a provision Extract from minute, 7th May 1862, on currency and banking Step in December 1852 of refusing gold at Government to ensuries, a mistake Undesirable to exclude gold entirely from range of monetary transactions If Indian currency created do novo, that of England to be preferred Difficult now, with silver standard and ammense silvor comag Does not agree with many of the objections against a double standard Reasons why not advisable at present to have double standard Reasons why not advisable at present to have double standard Reasons why not advisable at present to have double standard Reason why the Courrency LIEUT-GOVERNOR, N W PROVINCES, Minute on effect of gold currency on permt settlt Gold coin convenient, not indispensible, paper currency has lessened need Difficulties of double standard evaded by Sir C Trevelyan under rating gold coin Little effect on currency from measure, gold will be hoarded or used by travellers General circulation must for a long time to come consist of rupees A gold rupee the only form in which gold can be brought into circulation Ground alleged for measure, an insufficient supply of silver No real cause to apprehend this, increased supply rather to be expected This highly desirable to regulate rents as between landlord and tenant Permanent rise in food grains, a clear indication of fall in value of money Reason w	KENNEDY, M. D. Cawanore Agent of Bengal Bank See BANK OF BENGAL	"
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And from fundamental objection of bleach of faith by paying in gold Instances countries which have changed standard without such breach Admits difficulty of introducing gold along with present cirrency Would provide paper circulation up to one-fourth, issued against gold at fixed rates periodically adjusted How rate should be fixed to prevent loss, advantages of such a provision Extract from minute, 7th May 1862, on currency and banking Step in December 1852 of refusing gold at Government becauties, a mistake Undesirable to exclude gold entirely from range of monetary transactions If Indian currency created do novo, that of England to be preferred Difficult now, with silver standard and immense silver comag Does not agree with many of the objections against a double standard Reasons why not advisable at present to have double standard Object of clause in Bill explained, and advantages insisted on Would await experience of working of new system before establishing it Legal tender. Lieut-Governon, N W Provinces, Minute on effect of gold currency on permt settlt Gold coin convenient, not indispensable, paper currency has lessened need Difficulties of double standard evaded by Sir C Trevelyan under rating gold coin Little effect on currency from measure, gold will be hoarded or used by travellers General circulation must for a long time to come consist of rupees A gold rupee the only form in which gold can be brought into circulation Giound alleged for measure, an insufficient supply of silver No real cause to apprehend this, increased supply rather to be expected This highly desirable to regulate rents as between landlord and tenant Pormanent rise in food grains, a clear indication of fall in value of money Reason why theory, though just, cannot be applied to permanent settlement Does not share in Mr Mur's apprehension of greater depreciation of gold than silver Government fixing value of gold, a safeguard, long before gold displaces silver	Dissents from Mr. Wilson's or groupent, against any form of double standard	
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Admits difficulty of introducing gold along with present currency Would provide paper circulation up to one-fourth, issued against gold at fixed rates periodically adjusted How rate should be fixed to prevent loss, advantages of such a provision Extract from minute, 7th May 1862, on currency and banking Step in December 1852 of refusing gold at Government bicusuries, a mistake Undesirable to exclude gold entirely from range of monetary transactions If Indian currency created de novo, that of England to be preferred Difficult now, with silver standard and immense silvor comage Does not agree with many of the objections against a double standard Reasons why not advisable at present to have double standard Reasons why not advisable at present to have double standard Object of clause in Bill explained, and advantages insisted on Would await experience of working of now system before establishing it LEGAL TENDER See Gold Currency LIEUT -GOVERNOR, N W PROVINCES, Minute on effect of gold currency on permt settlt Gold coin convenient, not indispensable, paper currency has lessened need Difficulties of double standard evaded by Sir C Trevelyan under rating gold coin Little effect on currency from measure, gold will be hoarded or used by travellers General circulation must for a long time to come consist of rupees A gold rupee the only form in which gold can be brought into circulation Ground alleged for measure, an insufficient supply of silver No real cause to apprehend this, increased supply rather to be expected This highly desirable to regulate rents as between landlord and tenant Permanent rise in food grains, a clear indication of fall in value of money Reason why theory, though just, cannot be applied to permanent settlement Does not share in Mr Murr's apprehension of greater depreciation of gold than silver Government fixing value of gold, a safeguard, long before gold displaces silver	Instances countries which have changed standard without such breach	
How rate should be fixed to prevent loss, advantages of such a provision Extract from minute, 7th May 1862, on currency and banking Step in December 1852 of refusing gold at Government treasuries, a mistake Undesirable to exclude gold entirely from range of monetary transactions If Indian currency created de novo, that of England to be preferred Difficult now, with silver standard and immense silver coinagy Does not agree with many of the objections against a double standard Reasons why not advisable at present to have double standard Object of clause in Bill explained, and advantages insisted on Would awnit experience of working of new system before establishing it Legal tender See Gold Currency Lieut-Governon, N. W. Provinces, Minute on effect of gold currency on permt settlt Gold coin convenient, not indispensable, paper currency has lessened need Difficulties of double standard evaded by Sir C. Trevelyan under rating gold coin Little effect on currency from measure, gold will be hoarded or used by travellers General circulation must for a long time to come consist of rupees A gold rupee the only form in which gold can be brought into circulation Ground alleged for measure, an insufficient supply of silver No real cause to apprehend this, increased supply rather to be expected This highly desirable to regulate rents as between landlord and tenant Permanent rise in food grains, a clear indication of fall in value of money Reason why theory, though just, cannot be applied to permanent settlement Does not share in Mr. Mur's apprehension of graiter deprecation of gold than silver Government fixing value of gold, a safeguard, long before gold displaces silver	Admits difficulty of introducing gold along with present currency	31
How rate should be fixed to prevent loss, advantages of such a provision Extract from initiate, 7th May 1862, on currency and banking Step in December 1852 of refusing gold at Government theusuries, a mistake Undesirable to exclude gold entirely from range of monetary transactions If Indian currency created de novo, that of England to be preferred Difficult now, with silver standard and immense silver comage Does not agree with many of the objections against a double standard Reasons why not advisable at present to have double standard Object of clause in Bill explained, and advantages insisted on Would awrit experience of working of new system before establishing it Legal tender See Gold Currenov Lieut-Governor, N W Provinces, Minute on effect of gold currency on permt settlt Gold coin convenient, not indispensable, paper currency has lessened need Difficulties of double standard evaded by Sir C Trevelyan under rating gold coin Little effect on currency from measure, gold will be hoarded or used by travellers General circulation must for a long time to come consist of rupees A gold rupee the only form in which gold can be brought into circulation Ground alleged for measure, an insufficient supply of silver No real cause to apprehend this, increased supply rather to be expected This highly desirable to regulate rents as between landlord and tenant Permanent rise in food grains, a clear indication of fall in value of money Reason why theory, though just, cannot be applied to permanent settlement Does not share in Mr Mur's apprehension of greater deprecation of gold than silver Government fixing value of gold, a safeguard, long before gold displaces silver		
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Step in December 1852 of refusing gold at Government treasuries, a mistake Undesirable to exclude gold entirely from range of monetary transactions If Indian currency created de novo, that of England to be preferred Difficult now, with silver standard and immense silvor comage Does not agree with many of the objections against a double standard Reasons why not advisable at present to have double standard Object of clause in Bill explained, and advantages insisted on Would await experience of working of new system before establishing it Legal tender See Gold Currency Lieut-Governor, N. W. Provinces, Minute on effect of gold currency on permt settlt Gold coin convenient, not indispensable, paper currency has lessened need Difficulties of double standard evaded by Sir C. Trevelyan under rating gold coin Little effect on currency from measure, gold will be hoarded or used by travellers General circulation must for a long time to come consist of rupees A gold rapee the only form in which gold can be brought into circulation Giound alleged for measure, an insufficient supply of silver No real cause to apprehend this, increased supply rather to be expected This highly desirable to regulate rents as between landlord and tenant Permanent rise in food grains, a clear indication of fall in value of money Reason why theory, though just, cannot be applied to permanent settlement Does not share in Mr. Murr's apprehension of greater depreciation of gold than silver Government fixing value of gold, a safeguard, long before gold displaces silver		35
Undestrable to exclude gold entirely from range of monetary transactions If Indian currency created de novo, that of England to be preferred Difficult now, with silver standard and immense silvor comage. Does not agree with many of the objections against a double standard Reasons why not advisable at present to have double standard Object of clause in Bill explained, and advantages insisted on Would awnit experience of working of new system before establishing it Legal tender See Gold Currency Lieut-Governor, N W Provinces, Minute on effect of gold currency on permt settlt Gold come convenient, not indespensable, paper currency has lessened need Difficulties of double standard evaded by Sir C Trevelyan under rating gold com Little effect on currency from measure, gold will be hoarded or used by travellers General circulation must for a long time to come consist of rupees A gold rupee the only form in which gold can be brought into circulation Giound alleged for measure, an insufficient supply of silver No real cause to apprehend this, increased supply rather to be expected This highly desirable to regulate rents as between landlord and tenant Permanent rise in food grains, a clear indication of fall in value of money Reason why theory, though just, cannot be applied to permanent settlement Does not share in Mr Mur's apprehension of greater deprecation of gold than silver Government fixing value of gold, a safeguard, long before gold displaces silver		
Difficult now, with silver standard and immense silvor comage Does not agree with many of the objections against a double standard Reasons why not advisable at present to have double standard Object of clause in Bill explained, and advantages insisted on Would await experience of working of new system before establishing it LEGAL TENDER See Gold Currency Lieut-Governor, N W Provinces, Minute on effect of gold currency on permt settlt Gold coin convenient, not indispensable, paper currency has lessened need Difficulties of double standard evaded by Sir C Trevelyan under rating gold coin Little effect on currency from measure, gold will be hoarded or used by travellers General circulation must for a long time to come consist of rupees A gold rupee the only form in which gold can be brought into circulation Giound alleged for measure, an insufficient supply of silver No real cause to apprehend this, increased supply rather to be expected This highly desirable to regulate rents as between landlord and tenant Permanent rise in food grains, a clear indication of fall in value of money Reason why theory, though just, cannot be applied to permanent settlement Does not share in Mr Muir's apprehension of greater depreciation of gold than silver Government fixing value of gold, a safeguard, long before gold displaces silver		
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Reasons why not advisable at present to have double standard Object of clause in Bill explained, and advantages insisted on Would await experience of working of new system before establishing it LEGAL TENDER See Gold Currency Lieut-Governor, N W Provinces, Minute on effect of gold currency on permt settlt Gold coin convenient, not indispensable, paper currency has lessened need Difficulties of double standard evaded by Sir C Trevelyan under rating gold coin Little effect on currency from measure, gold will be hoarded or used by travellers General circulation must for a long time to come consist of rupees A gold rapee the only form in which gold can be brought into circulation Ground alleged for measure, an insufficient supply of silver No real cause to apprehend this, increased supply rather to be expected This highly desirable to regulate rents as between landlord and tenant Permanent rise in food grains, a clear indication of fall in value of money Reason why theory, though just, cannot be applied to permanent settlement Does not share in Mr Mur's apprehension of greater depreciation of gold than silver Government fixing value of gold, a safeguard, long before gold displaces silver		
Object of clause in Bill explained, and advantages insisted on Would awrit experience of working of new system before establishing it Legal tender See Gold Currency Lieut-Governor, N W Provinces, Minute on effect of gold currency on permt settlt Gold coin convenient, not indispensable, paper currency has lessened need Difficulties of double standard evaded by Sir C Trevelyan under rating gold coin Little effect on currency from measure, gold will be hoarded or used by travellers General circulation must for a long time to come consist of rupees A gold rupee the only form in which gold can be brought into circulation Ground alleged for measure, an insufficient supply of silver No real cause to apprehend this, increased supply rather to be expected This highly desirable to regulate rents as between landlord and tenant Permanent rise in food grains, a clear indication of fall in value of money Reason why theory, though just, cannot be applied to permanent settlement Does not share in Mr Muir's apprehension of greater depreciation of gold than silver Government fixing value of gold, a safeguard, long before gold displaces silver	Reasons why not advisable at present to have double standard	
Would await experience of working of new system before establishing it LEGAL TENDER See GOLD CURRENCY LIEUT-GOVERNOR, N W PROVINCES, Minute on effect of gold currency on permt settlt Gold coin convenient, not indispensable, paper currency has lessened need Difficulties of double standard evaded by Sir C Trevelyan under rating gold coin Little effect on currency from measure, gold will be hoarded or used by travellers General circulation must for a long time to come consist of rupees A gold rapee the only form in which gold can be brought into circulation Giound alleged for measure, an insufficient supply of silver No real cause to apprehend this, increased supply rather to be expected This highly desirable to regulate rents as between landlord and tenant Permanent rise in food grains, a clear indication of fall in value of money Reason why theory, though just, cannot be applied to permanent settlement Does not share in Mr Muir's apprehension of greater depreciation of gold than silver Government fixing value of gold, a safeguard, long before gold displaces silver	Object of clause in Bill explained, and advantages insisted on	,,
LIEUT -GOVERNOR, N W PROVINCES, Minute on effect of gold currency on permt settlt Gold coin convenient, not indispensable, paper currency has lessened need Difficulties of double standard evaded by Sir C Trevelyan under rating gold coin Little effect on currency from measure, gold will be hoarded or used by travellers General circulation must for a long time to come consist of rupees A gold rupee the only form in which gold can be brought into circulation Ground alleged for measure, an insufficient supply of silver No real cause to apprehend this, increased supply rather to be expected This highly desirable to regulate rents as between landlord and tenant Permanent rise in food grains, a clear indication of fall in value of money Reason why theory, though just, cannot be applied to permanent settlement Does not share in Mr Muir's apprehension of greater depreciation of gold than silver Government fixing value of gold, a safeguard, long before gold displaces silver		36
Gold come convenient, not indispensable, paper currency has lessened need Difficulties of double standard evaded by Sir C Trevelyan under rating gold com Little effect on currency from measure, gold will be hoarded or used by travellers General circulation must for a long time to come consist of rupees A gold rupee the only form in which gold can be brought into circulation Ground alleged for measure, an insufficient supply of silver No real cause to apprehend this, increased supply rather to be expected This highly desirable to regulate rents as between landlord and tenant Permanent rise in food grains, a clear indication of fall in value of money Reason why theory, though just, cannot be applied to permanent settlement Does not share in Mr Muir's apprehension of greater depreciation of gold than silver Government fixing value of gold, a safeguard, long before gold displaces silver		990
Difficulties of double standard evaded by Sir C Trevelyan under rating gold coin Little effect on currency from measure, gold will be hoarded or used by travellers General circulation must for a long time to come consist of rupees A gold rapee the only form in which gold can be brought into circulation Ground alleged for measure, an insufficient supply of silver No real cause to apprehend this, increased supply rather to be expected This highly desirable to regulate rents as between landlord and tenant Permanent rise in food grains, a clear indication of fall in value of money Reason why theory, though just, cannot be applied to permanent settlement Does not share in Mr Muir's apprehension of greater depreciation of gold than silver Government fixing value of gold, a safeguard, long before gold displaces silver		
General circulation must for a long time to come consist of rupecs A gold rupec the only form in which gold can be brought into circulation Ground alleged for measure, an insufficient supply of silver No real cause to apprehend this, increased supply rather to be expected This highly desirable to regulate rents as between landlord and tenant Permanent rise in food grains, a clear indication of fall in value of money Reason why theory, though just, cannot be applied to permanent settlement Does not share in Mr Muir's apprehension of greater depreciation of gold than silver Government fixing value of gold, a safeguard, long before gold displaces silver	Difficulties of double standard evaded by Sir C Trevelyan under rating gold coin	
General circulation must for a long time to come consist of rupecs A gold rupee the only form in which gold can be brought into circulation Ground alleged for measure, an insufficient supply of silver No real cause to apprehend this, increased supply rather to be expected This highly desirable to regulate rents as between landlord and tenant Permanent rise in food grains, a clear indication of fall in value of money Reason why theory, though just, cannot be applied to permanent settlement Does not share in Mr Muir's apprehension of greater depreciation of gold than silver Government fixing value of gold, a safeguard, long before gold displaces silver		
Ground alleged for measure, an insufficient supply of silver No real cause to apprehend this, increased supply rather to be expected This highly desirable to regulate rents as between landlord and tenant Permanent rise in food grains, a clear indication of fall in value of money Reason why theory, though just, cannot be applied to permanent settlement Does not share in Mr Muir's apprehension of greater depreciation of gold than silver Government fixing value of gold, a safeguard, long before gold displaces silver		,,
No real cause to apprehend this, increased supply rather to be expected This highly desirable to regulate rents as between landlord and tenant Permanent rise in food grains, a clear indication of fall in value of money Reason why theory, though just, cannot be applied to permanent settlement Does not share in Mr Muir's apprehension of greater depreciation of gold than silver Government fixing value of gold, a safeguard, long before gold displaces silver	A gold rupes the only form in which gold can be brought into eleculation	,,
This highly desirable to regulate rents as between landlord and tenant Permanent rise in food grains, a clear indication of fall in value of money Reason why theory, though just, cannot be applied to permanent settlement Does not share in Mr Muir's apprehension of greater depreciation of gold than silver Government fixing value of gold, a safeguard, long before gold displaces silver		
Reason why theory, though just, cannot be applied to permanent settlement Does not share in Mr Muir's apprehension of greater depreciation of gold than silver Government fixing value of gold, a safeguard, long before gold displaces silver	This highly desirable to regulate rents as between landlord and tenant	
Does not share in Mr Muir's apprehension of greater depreciation of gold than silver Government fixing value of gold, a safeguard, long before gold displaces silver		
Government fixing value of gold, a safeguard, long before gold displaces silver	Reason why theory, though just, cannot be applied to permanent settlement	
		**
	Discussion of subject in relation to permanent settlement, why premature	
MACLEOD, MR DONALD, Memorandum, dated Rangoon, 20th June 1864	MACLEOD, ME DONALD, Memorandum, dated Rangoon, 20th June 1864	
Introduction of English sovereigns would be highly beneficial to British Burmah	Introduction of English sovereigns would be highly beneficial to British Burmah	
So would Australian of same assay, if made legal tender	Prices of the two kinds no other gold come recommended recom	,,
Effect of a gold currency favourable to country and to Europeans		200

	PLOE
MADRAS CHAMBER OF COMMERCE; Memorial to Government of India 30th April 1884	144
Desirable to enlarge currency to meet growing wants of country	
India premared for a paper currency on a widely extended scale	n
Existing paper system has not realised expected beneats reason	
Object to circulate notes as legal tender throughout each presidency	79
Immediate creation of circles of issue throughout country recommended	
And mofusell treasury balances made available for conversion of notes	29
Acceptance of notes for Government dues to be everywhere authorised	>+
Lowest denomination of notes abould be reduced to 6 rupres	
Opinion, that introduction of gold would be of material advantage	145
Convenient from portableness; gold currency would rapidly come into use	,
Importation from other countries proves col a would be corptable	
Financial embarrassment would have been mitigated had gold been in use	400
To Governme t of Madras, 5th October 1888 Confusion of accounts and inconvenience from any new rating of sovereigns	461
Would make no further attempt to encourage circulation of sovereigns	
Blandard of value of Act of 1835 not that which should be adopted	*
That was average of many years, but gold has risen and is still rising	×
Would fix on something below commercial par of the two metals	-
Ten and five rupes pieces most desirable, the latter especially	,,,
Gold pieces to be made legal tender throughout India from the first	
Marstrelp, Srr W R Commander in Chief; minute on memorial of Bombay Chamber	49
Minate of 8th March 1864; table of contents	71
Chapter I - Memorial ! Chamber the beginning of much needed reform	73
Betting aside of Mr Wilson suthority the first step	9.0
Grounds of objection, breach of faith, absence of precedent, and no advantage	≃.
These pleas f liacious; uncertain value of aliver as much as of gold, overlooked	74
As well as social condition and habits of the people f India. Duty of examining M. Wilson views and the principle of a currency	*
Chapter II - Currency what? precious metals capital employed to lieu of bartor	76
Condition of economy t be con idered in selecting metallic medium	
Great stride in wealth indicated when a substitute is sought for bulky silver	>=
Resides portability a further reason for substitution, less wear and tear of gold	76
Coining operations less, chrepening coin in inverse ratio to value	
This mechanical view generally overlooked, notably by Mr Wilson	77
Duty of State to a builtnite more v la ble metal when community is ripe for it	78
Il id re of old medium have no just complaint, when all are benefited	70
No real antagoni m of interest, and no real breach of faith incurred	
Question is, whether India has reached stage to require a gold currency	80
Cs pier III —meaning of standard of value; value det resined by cost of labor. Micrence of values depends on conditions and legal notion of standard of value.	81
In effecting a loan, State borrows value represented by a number of coins	82
State not bound never to change legal tender or expression of measurs of value	83
If creditor paid full intrinsic value whether in p ld or fiver no cause of complaint.	-
Difficulty in terms of state loan not experienced in transactious of commerce	81
Money system implies contract to receive value in whatever form	*
Argument numed up; new tender must be equal in value to old	
Ch pier IV -fallecy f Mr Wilson a lilu tration of a contract for wheat, exposed	83
Contract could only be fulfilled by giring larger measur of I ferior grain	
Consequence of distitute Mr Wilson reaso lng pointed out	BO
Mod in which a judge in equity would reg rd obligations of contract Contract being for value must be completed in value at present time	87
To pay greater value though in same standard, an injustice to the public	68
Argument for paper currency inconsistent with breach of faith objection	U.O
Mr Whom mi take substituting kies of commedity for that of currency	80
Doubts if relief by notes will resilte Mr. Wilson a anticipations in India	90
(A pt r I Doubl standard comblired; wh t meant thereby	
Cond tions for Ising variation of rel til a rain, with re and to one another	ŐI
When two m tal employed i currency the cheaper excludes th dearer	
If gold found more po htabl it will exclude liver a defer cerad	93
In 1 new silv r ex lind d g dd, till g ld discovery turned the scale	9:
hters taken there from 1549 to 1553 for substituting gold for allrer	ទីរ
Meaning of token edin ; legal tender of tokens why limited	U

		4,444
MANSFIRLD, SIR W. R -continued.		95
In 1853 legal tender of United States practically reduced to a single standard	•	
Necessity for one measure of value though there be a double legal tender		9 6
Mode in which accounts are kept in France and public debt paid	•	97
Both countries show contracts to be for value, not for a particular currency Chapter VI, money absorbed in a currency, defined		"
Form in which absorption of capital takes place		"
Absorption of a metal for currency, the cause of a large demand		,,
To deprive it of this function therefore must affect its market value		98
Demonetisation of one in favor of another metal, makes one cheaper, the other dearer	r	32
Effect 1s, that production of former ceases, except for manufacturing uses		n
This compensated by action of other countries, again raising its value	•	,,
Silver lately demonstrated in France and United States, as before in Eugland		99
This the main reason why value of gold so little affected by discoveries	,	99
But for this, silver might possibly have taken the place of gold		100
Course taken has saved world from great revolution in value of metals		,,
In other countries, gold demonetised, adding to effect of gold discoveries		"
Artificial gold mines thus created by inconsiderate conduct of Governments		59
And gold relatively cheapened by artificial value given to silver .		101
Positive injury thereby done to communities, to the State, and to all debtors		22"
This a successful speculation to fund-holders and all creditors		43
This sufficient to account for 5 per cent rise in value of silver		1>
Wise conduct of the three most wealthy Governments prevented further rise		"
Progress of these countries prevented change in gold from increased production	•	"
Conduct of Holland, Belgium and India reproduted in this matter		102
Silver began to flow to inarkets where it could fetel the highest price		"
Artificial price thus took the place of intural, when contracts were made		103
Effect on countries in which gold was arbitrarily demonstrated	••	**
Breach of faith argument recoils on very measure it was used to support.	••	704
Chapter VII argument of injustice to ryot by adding to his difficulties.		104
By demonetising gold, silver raised, to detriment of whole debtor class		15
Such demonetisation unfavorable to periodical payments under old contracts These parties actually pay about 5 per cent more than they contracted for		,,
Effect of excluding gold from tender in contract between State and landholders	•	105
Samo in regard to contracts in Noith-West Provinces and Bombay		
Further fact—general indebtedness of landloids and ryots to bankers		106
As debtor, State unfairly prejudiced, landlord obtains unfair advantage		107
In same way, wealthy tenants compensated in greater value of their savings		"
But indigent ryots have additional infliction in artificial value of silver		"
Other classes besides land owners and ryots affected by artificial rise in value	•	
These the poor, who need as much salt for health as the rich		108
Salt tax in whatever form essentially a poll tax on every person		•
Effect of demonetising gold alone considered, other circumstances left out of view	ı	109
Point in memorial noticed, that silver reaches India heavily charged	•	>>
This prejudicial to India, because it cannot be re exported without loss		",
Injustice of state of things which compels large importation of silver		110
No good reason for compelling precions metals to go round instead of coming direct Profits of transit a deduction from those which would accrue in India	•	27
Argument that this state of things cannot last, answered	•	17
Argnment of impossibility of importing gold direct from Australia, answered	•	111
Chapter VIII other considerations—convenience of including gold in enriency	•	
Argument in Chapter II regarding mint operations need not be re-stated		77
Question of portableuess and safety intimately connected with social habits		, 112
Importance of this seen in addition made to personal ornaments	-	23
Also in large investments by potentates in precions stones and valuables		,,
Value of portableness especially seen during rebellion of 1857-58 .		,,
These facts show need of a gold currency on ground of convenience		113
In Europe and America reserves stored in vaults, value represented by paper	•	35"
But oriental populations not content without evidence of their senses		· **
Reason why notes are not found to answer the purposes of the people	••	114
Gold comed in Native States preferred to cominge of Government Mints Advantage of paper currency not denied, but people not educated to it		775
Gradual means needed to overcome immobility and bring in improvement		115
Constom paramount, till evidence is obtained of gain from any change	• •	1 <u>"</u> 6
Introduction of cotton and tea, the gradual work of more than a generation		
This social aspect of question the truly important one, and hard to deal with	OP#	"
Z Z Z Z Z Z Z Z Z Z Z Z Z Z Z Z Z Z Z		>>

		STEX
MARRITED SIR W B -continued.		110
Overheaty application of most perfect economical system defeats its object	-	116 117
Causes of failure of Mr Wilson's attempt to introduce a convertible paper Influence of London and Liverpool fait in Calcutta and Bombay not by the masses		118
Metals esteemed by them; ingot currency organized by them in Bombay		
Circumstances favorable to Mr Wilson a scheme at its introduction	_	-
Yet social habita and force of custom have proved triumphant	-	119
Facts showing preference of the people for gold to silver		-
Large quantities of gold imported on private account since 1860-61		~
Fallure of attempt to float a tentative paper currency; inference from the whole		120
Chapter IX; causes tending to facilitate, if not create a new development in India		
Silver and gold elike become cheaper with increased demand for other commodities		131
This due to new demands, and greater power of consumption with prosperity	**	20
Latter shown by test of salt tax; craving for sake of health first satisfied		30
How increased foreign commerce adds to domestic production		
Population not now too numerous for employment; labor competed for	-	
Rise of prices of food partly due to greater disposition to consume		-
Wages rising everywhere, more especially near the scaboard		123
Conveniences multiplying; pack bullocks superseded by railways and steamers Efforts of Public Works Department to meet want of Improved communications		
Other matters of convenience—local banks and companies		
Rupes has penetrated everywhere; pauper districts supplied	***	"
Countiers individuals become possessors of small reserves of wealth		~
India has lately passed from poverty to comparative wealth; signs		123
In these circumstances, ample cause for great increase of circulating medium		-
Increased transactions, rise of wages and prices call for addition to currency	•	
Another consideration —change of manners existing new wants		124
This already seen in Bombay and beginning to be felt in provinces		24
Process requires time; effect in Rombay of disturbance of values	***	1.5
fillver no longer adequate to wants of circulation since prosperity set in Correction of wants of currency enforced by practics of the people	~	
Popular instinct maintains relative value of metals despite prohibitions		-
Gold and aliver long bought at a profit in Europe for exportation to India		~
Conclusion, that we are bound to follow the lead given by the people	-	
Popular instinct has removed much of difficulty of new arrangements		120
ho alarming depreciation of silver apprehended, if gold made currency		.*-
Only effect, that importation would decline, that of gold angmenting		127
On other hand, there would be concurrence with national tastes and habits Chapter X; how introduction of gold carrency may best be effected		13
Much time must clapse before mass of silver can make place for gold	**	*
Time required for columns, and for distribution throughout country		**
Change should be gradual, according to demand and convenience of people		123
Points to be ettended to in effecting change from one to another	***	
Example of United States and France; transition period of double legal tender	44	
No token coinage during this period, but when change is completed		129
In India, cause necessitating a token coinage does not yet exist		-
Another reason egainst premature introduction of token colonge		*
Hame as in case of notes, that the people are not educated to the point. Uses of token colorge; period f double tender unavoidable	***	180
he hope that process of substitution will be so rapid as in America	**	-
Chapter XI: denomination of value to be retained, as in France and United States		151
Rupee to swert its ancient position in value whether in gold or silver		**
Not expected that eay foreign coin can be exact multiple of rupes	**	
Beasons; effect when sovereign is worth more and worth less than Rs. 10	***	133
Mode I which sovereign may be used in circulation in India	••	.=_
Unvenience of admitting sovereigns at ones into circulation at true value Remarks an little cold was offered when receivable at tree myles		133
If we why so little gold was offered when receivable at treasuries Original calculation of retative value erroneous; how neutralized	1	ıäı
alos of gold now nearly the same as when original calculation was made		
Objection, sliver being exceptionally high, may still exclude rold		135
U jection answered; recent values likely to be maintained		-
population convenience of roll anticient to pentralita small difference	**	-
If values of Act will favorable to allver re-adjustment may be made		136
Proposals, legal tender of gold enserted on basis of equivalents of Act That gold be made legal tender not in substitution but in aid of eliver That proposed in the substitution of the s	***	100
That have been a land or the property of the party of the party		

		PAGE
Mansfield, Sir W R —continued That mints coin gold largely, in coins prescribed by the Act		136
Objection that artificial value of gold coins in interior reacts on presidency	••	"
This probably true, and another reason for making gold coins abundant		,,
Note, appending returns of values and fluctuations of gold and silver	***	187
A and B-Average price of sovereigns and bar silver in Bombay	• •	138 139
C and D—Average price of bar silver in England, and of gold bars in Bombay	•	140
E—Quotations of gold leaf only, 6th December 1858 to 3rd March 1862 F—Price of gold at Calcutta per tolah of 23 carats and per oz of 22 earats	•	142
G—Price of bar silver per or standard, in London	•	144
Menute, dated 4th August 1861, on Sir C. Trevelyan's proposal		272B
Not convinced that proposal to make sovereign worth Re 10 is sound .	•	11
Importance of question of respective values of gold and silver in India		,,
Mr Claud Brown's view noticed, of value of sovereigns		272°C
Price of gold in India regulated by price in place of production		2120
Price of Anstralian gold therefore rules price of all other gold Price in India of sovereign as article of commerce slightly above Rs 10 4		,,
Sir C Trevelyan's price 2\frac{1}{2} per cent less than average of market	•••	"
Question raised, who is to bear this loss on every packet of Rs 10	•••	,,
As long as gold is at premium, payments will continue to be in silver	•••	272D
Government as sole loser will be driven to make payments in silver	• •	"
Another view, 21 per cent added to national debt, in what way	• •	**
Further, mints could not obtain gold for earrying out conversion	• •	17
Gold coined would be sold at preinium, and sovereigns not given for notes Silver would be imported for currency, gold failing to perform functions		272E
Doubts if Australian sovereign can be find down at Calcutta for Rs 10-2-9	:	,,
Value should be taken at average of years, not at particular juneture		"
Annexes return of British and Australian sors in last 5 years, giving cost of Rs 10-	4	,,
Not likely that Australia, to reduce price to India, will forego import duty		"
Demand for gold for currency likely to raise price of gold everywhere		272F
Controverts idea that price will decline after introduction as currency Mr Claud Brown cited in support of this objection	•	2721
Intrinsic values, only basis for attaining a gold currency and standard		272G
Good effects of taking basis of equality, as shown by averages	•••	"
Values become fixed, and in time stereoty ped, by means of token coinage	••	>>
On other hand, conversion retarded, value of gold remaining undetermined	**	DECT
Equalization of legal tenders just to holders of silver and of securities Depreciation of silver would be prevented, and currency value maintained		272H
Equitable proceeding is to give the strange coin its exact value		>>
In debts and contracts, value of silver rupee to be given in gold representative	•	272I
In large dealings difference of annas in value to be considered as well as rupees		22
Want of equalization of value will certainly drive gold out of currency		>>
We must have gold coinage for India, letting sovereigns run at their value	•	**
Sovereign to be used as an ally, not usurping realm of the rupee Gold multiple of rupee to be minted with regard to value of rupee only		"
Average quotations in Bombay of English and Australian sovereigns and bar gold	• •	$27\overset{"}{2}$ J
Average price of English sovereigns, &c , since 1830		272K
Explanatory note on returns by Colonel Ballard, Mint Master, Bombay .		272L
Minute, dated 4th August 1864, objecting to valuation of sovereign at Rs 10	0.00	346
Average quotations in Bom of English and Australian sovs and bar gold, 1857 to 18 Average price of English sovereigns, &c., 1830 to 1864	863	354
Explanatory notes on statements by Colonel Ballard, Mint Master	••	355
Minute (no date) dissenting from views of Mr Strachey's minute	•	437
• Not necessary to ask Secretary of State's permission to coin gold		"
This power given by law to Mint Master when bullion is presented		"
Proposes that comage of gold proceed, after issue of notification Minutes, dated 29th and 31st January 1869	•	.2-
Question, should gold pieces from mint be passed at par or sold to public?		475
Answei, 1st, true eurrency principle independent of profit considerations		"
Ziid, if mohur sold, it is weighted with value above its contents in gold		,,
and, a short time back, the same question might have been put of sovereign		476
Bazar rate expected in time to assimilate itself to Government rate		"
Expedient that flow of pieces should be without Government interference Remedy, in event of more sovereigns coming in than is desirable)) 41717
Price of sovereigns how affected by state of exclinages before and since 1852		477
This explains phenomenon of accumulation in treasuries in 1852		,,
	•	••

		710
METELD, SIE W R.—concluded.		47
This expected as consequence of discoveries, but not resulting therefrom Necessary to be prepared for contingencies whenever arising		47
Points that may be orged in reply to Colonel Hyde and Mr Ballour		-,
Applicants for payments should have option of taking gold, silver or notes		н
In certain cases Find Dent, might do a good tob by sending sovereigns to England		
Effect of coining mohurs in large quantities to be carefully watched		
Also results of notification, whether gold is taken as rapidly as poured in		47
Wise for Currency Dept. to hold sovereigns and not send all to the mint		47
Some good effects of this course pointed out		•
Past errors corrected, we should have gold legal tender of value of Act		*
Difficulties of 1862 from abrogation of legal tender of gold previously		19
How gold may take its proper place in the currency Minute, dated 9th February 1869, on Mr Strachey's (mislaid) minute		49
hir Strachey overlooks experimental character of late arrangements	•	
Recounts artificial difficulties created since 1835 in regard to gold		40
Sir C. Trevelyan sattempt to introduce sovereign at Rs 10 now held to be an error	**	*
Before step towards legal tender experience needed of real relative values		49
Act of 1835 bence assumed to represent relative values; this a prodent course		40
Influence of exchanges on value; results not to be confounded with price of gold	**	
Point to be ascertained if Act does or does not represent values Course adopted, only way to obtain the needful experience		-
Facts as far as known, against Mr. Strachey's position regarding the Act		49
Agrees with Mr Arbuthnot, on nord of experience to determine inconsistency in Th	ues	
Thinks gold may rise in India; still facts of value the only criterion		40
Proper mean struck for getting experience before declaring gold legal tender Question encumbered by interpolation of English sovereign in 1864		p
Question excumbered by interpolation of English sovereign in 1864		
Results that would have followed had sovereigns been valued above Rs. 10-4		.5
Act XVII not obsolete, yet fairly anticipates relative values of present	***	49
Lats measures, as leading to needful facts, not devoid of utility Some result of notification stated, referring to para. 17 of Mr. Strachey's minute		-
Price of sovereign being 1 per cent, dearer than bar gold, accounted for	•	-
Instructions of Financial Department regarding mode of dealing with sovereigns		
Why Indian coins appear to carry premium beyond intrinsic value		500
Purchase of bars for colouge desirable; deficient mint machinery		*
Loss of labor from this cause admitted; deficiency about to be supplied		
Another item of loss, Colonel Hyde a method of computation; this unfair	**	503
Real loss on re-coloage so triding as to be almost inappreciable Argument showing actual profit on re-coloage when sovereign is at Rs. 10-4		
Disagrees with Mr Strachey as to inexpediency of coining Indian pieces	**	H
Reasons; alleged cessation of gold coinage at mints, a misapprehension		-
More than a million coined face Government stopped gold at treasuries		
Large gold coinage at native mints, a fact of important algulficance		80:
While giving sovereign fair play Indian coins under Act to be thrown off	**	*
To have legal gold currency afterwards, gold coins must be supplied now	19	*
No forther attempt to fix value by notification, unless legal tender conceded. Result of experience to determine this; objectionable point in minute	**	"
Concurs in warning against artificial enhancement of allyse	**	εő
Facts of value our guide; evidence before Com. and price at ports to be consulted	_	
Mr Strachey's proposal would depreciate allver artificially in this country	**	
His price for allver in India, generally below rates of London market		
Subj ins table of price of har silver in London; comments thereon		
Onderion by Mr Strackey of cost to be added to London price of bar allrer	**	501
This added, there is approximation to value of gold given in Act Inference London price of bur silver really against Mr Struchay's conclusion	***	eős
In valuing gold, rule of merchants looks to cost of delivery in India	***	
Elements of balance of trade and state of exchanges left out of view		~
God token coinage contrary to correct principle and all prior nears		,,
We have but to adjust values, leaving metals to fight for supremacy	***	
Where this is done silver driven from field, though originally the standard	***	-
liefers to minute of March 1861 for arguments on this point	•	
Concurs in Mr. Struckey's remarks on proposals of Mint Masters App. As sverage price of English soverelyns, &c., since 1630	***	ιöα
App B; everage Blombay quotations of Luglish and Australian sovereigns and	ber	
grad		607
Apr C; Mr Dunley a remarks on Importation of bullion late India	-	608

		tagp
27th Angust 1868		412
MARRIOTT, COLONEL W. F., to Government of Bombay, 27th August 1868	***	**
Review of general question; remarks utilized by the actual current use	•	413
	•	**
The transfer of the state of th	4	113
Two objections to latter inference stated and answered		ji6
Don'd etandard an inconvenience of no importance, we will	••	
	***	**
Courses open to discussion stated under six as and 3rd the only admissible ones. Objections to 4th, 5th and 6th courses; 2nd and 3rd the only admissible ones.	• • • • • • • • • • • • • • • • • • • •	117
These re stated, viz, rate for sovercings, and standard value of gold pieces. Consequence of too high or too less rate, intermediate rate true value.	•	**
TO A STATE A REGISTA MADE AND REPORT TO THE THE PART OF THE PART O		419
True of no moderno of volue of componition incompanies with the componition	*	••
Of anymon, that to bring in cold without legal tender is necessive or	•	410
Only course, a double sixuata, manushing they be to the		76
* From of silver not a present need, double standard unavounce		41
Marker Mr. D. Acting Col. Tenesias, to Madres 1993ath 1941 (1911)	•	223
Common largely unperfed from Coulon, would be tellected it a suctionate		189
McLeop, Mr D. F, Finl Comr, Panjab, to Sir C I Trevelsan 21th May 1861		
lst question, if gold currency in addition to silver would be acceptable? Ideas of bankers hazy, but they do not dislike the suggestion		71
Fluctuations of relative values expected, as with silver and copper	•	74 11
2nd, what form and value would be most suitable for a gold currency?		**
Sovereign and half sovereign preferred, being familiar and convenient	•••	**
Table of descriptions of gold sovereigns now circulating in Punjah	••	100
Besides come, gold imported as dust, slicets, nuggets and bricks	43	103
Remarks on those forms, average selling price of gold at different times .	***	35
Concludes that most of the gold is brought to equalize exchange	4 4	391
Further, that relative value has continued empirisingly uniform	•	7.6
Specimen coins not sent, except one of Mooling's gold rupers	• • •	11
Annexes memo and list from Mr. Melvill, Court at Umritsir MELVILL, Mr. P. S., Comr. of Umritsir, memo and list, dated 20th May 1861	*	705
Merchants decidedly in favor of gold carrency if generally introduced	•	195
Basis of measure, form, sovercign at Re 10, with halves and quarters	•	21
Appends statement of gold come in market, value brought yearly	•	#} }>
Value increased fourfold since Scikli time from mercase of tinde		11
Source of supply in Seikh times, Cabool, now, Bombry and Calcutta		11
Demand a proof of progress in wealth and of greater scenarity enjoyed		196
Double currency will bring silver to surface, and gold will be hoarded Sovereigns will be taken as readily as rupce, if value fixed and made legal tender		
Statement of gold cous in Umritsir market, with remarks		**
Memo of calculation of value of the several coins brought very	***	,, 100
MELVILL, SIR J. C., extract from evidence before Select Committee, 14th July 1853	•	199 573
his memorandum on a gold enriched for India		
MEMORANDUM of Mr P S Mclvill, Comr. of Univitsir, 20th May 1864	, ,	195
Of Mr Donald Maelcod, dated Rangoon, 20th June 1864 Of Mr J C Todd, dated Rangoon, 27th June 1864		199
Of Mr Arbithnot, of the Treasury, Whitehall, 20th August 1858	•••	201
Of Mr H 8 Dunlop, on importation of bullion to India, appendix 8		219
Of air R 1 Penneinther, Auditor General, on currency of Caylon	•••	
Of Col C A. Off		267
Of Sir J C Melvill, on a gold currency for India		458 478
MEMORIAL of Bombay Association, dated 8th Feb 1864, on introduction of gold enro	enev	38
The state of commerce to thought the state of the state o		144
METALS—See Precious Metals		
MINUTE of Mr James Wilson, dated 25th Dec 1859 on introduct		
Of Mr S Lang, extract from, on paper currency bill	reney	18
Or Mil D Danner, under von Waar 1989 ander de Com		~ 31
Of Governor of Bombay, 23rd Feb 1864, supporting memorial of Bombay Chan Of Sir W R Mansfield, Com-in-Chief 25th Feb 1864	ibor	35
Of Mr W E. Frere 26th Feb 1864, 20th Feb 1804, promising detailed min	ite	46 48
Of Mr D Invergity 29th Follows 1984 17 Will President		
Of Sir W R Mansfield, 8th March 1864, on memorial of Bombay Chamber Of Sir C E Trevelyan, 20th June 1864 on Introduction	• 1	49
Of Sir C E Trevelyan, 20th June 1864, on introduction of gold currency Of Sir W R. Mansfield. 4th Angust 1864, on Sir C To	•	Pr +
Of Sir W R. Mansfield, 4th August 1864, on Sir C. Trevelyan's proposals	**	7.41

	3162
MINUTE—concluded. Of Mr W Mulr Benlor Member of N W Board, 23ed July 1864, on permanen	ė.
settlement	275
Of Lient-Governor N W Provinces. 20th August 1864 on same subject	290
Of Sir C E. Trevelyau, dated 23rd November 1864	803
Of Sir W R, Mansfield, 4th Aug 1884 on Sir O Trevelynn a proposal (appendix)	. \$46 Der
Of Sir R. Temple, 5th June 1868, on introduction of gold currency	875 4 35
Of same 5th September 1968, on laste of fresh notification Of Sir W B Mansfield, (no date) dissent from Mr Strackey's views	. 437
Of Sir R. Temple, 20th October 1868, submitting draft notification	
Of Mr A. J Arbuthnot, dated 80th Nov 1868, on rate of sov and standard value	. 465
()f Governor of Madras, 7th December 1868, on gold currency	472
Of Sir W R. Mansfield, 29th and 31st Jan 1889 on question put by Finl, Secretary	475
Of Mr J Strachey 30th January 1869, on gold currency	479 498
Of Sir W Mansheld, 9th February 1869 on Mr Strachey's minute Of Sir R. Temple, 12th February 1869 on same subject	500
Of same, no date submitting notes by Mr Dickson and others	K13
Monuza. Particulars of a case of coining which occurred at Jaguadree	214
Jeypore mohurs uttered in hills, and Moorshedabad in plains	218
Mole, Mr., Actg Manager Oriental Bank, to Governor of Coylon, 7th June 1864	2 70
An old proclamation in Coylon declared rupes equivalent to 2 shillings	**
Difference in point of fact between Indian rupes and English florin No practical inconvenience; English and Indian coins circulate together	*
Assimilation almost complete; sovereigns a necessary consequence	
Double standard in use neither being subsidiary to the other	
Caylon owes to this its immunity from monetary crisis	, н
Sorereigns generally though not always, at a small premium MOYET MR.—See BOARD OF REVENUE, N. W. PROVINCES.	P
MOVET MR.—See BOARD OF REVENUE, N. W. PROVINCES.	427
Monnia, Mr. E., Agent, Agra Bank, to Government of Bombay 10th September 1863 Reason why plan to attract sovereigns will end in disappointment	4.6
Would draw from India itself a portion of supplies for gold circulation	
Rough estimate of buillon available in India	
Cost of laying down sovereigns in India; supply governed by London exchange rate	~
Declaring sovereign legal tender not sufficient by itself to promote gold	420
Most desirable plan, to establish gold currency with sovereign as standard	Pa
Good effect of a fixed gold standard; mint should not look for profit Mint expenses how met; action of Government indicated	19
Question of effect of gold standard on bullion hoarded and on practice of hoarding	430
Gold standard and limit for eliver would force sove, into circula, and bullion into mint	, 200
Effect of gold standard on relative position of debtor and creditor	,,
Necessary that sove, should be demandable if any change is made	
Any gold coin but English sovereign would only cause compileations	h
Difficulty may arise from India a capacity for absorbing precious metals If suggestions adopted, Government and mint to be prepared for the occasion	431
MUIR, MR. W -See BOARD OF REVENUE, N. W. PROVINCER,	431
NATHOGRHOY Mr. M to Government of Bombay 17th August 1868	423
Gold currency desirable; difficulties expected from finetuating value	
hotification of 1864 failed on account of low price fixed for sovereign	
Would have 15, 10 and 5-rupes pieces of standard value to allow nova, to be Rs. 10-8	
NATTER BARRERS AND MERCHANTS—See SHROFFS. NOTE by Mr. G. Arbuthnot, of Treasury. 10th September 186 km Sir C. Trevelyan a minute	283
By Mr G Dickson, of Bank f Bengal, 15th January 1873	531
By same on Indl a gold currency 7th February 1873	513
By Mr E. G y Deputy Comptroller General, on Mr Dickson a proposals	557
By Mr R. B Chapman Financial Secretary 27th March 1872, on same subject	
lly Mr. II. Sandeman (tff., Comptroller General, 28th March 1872, on same subject. By Sir II. Temple dated 8th July 1873; course for introducing gold currency	561 665
hores—See Paren Cunnercy	000
Notification of 23rd Nov 1804 on receiving sovereigns and half sovereigns at treasuries	
at its. 10 and 5	301
Of same date on lame of currency notes for sovereigns and half sovereigns	310
Hengal Hank a statement of practical working of Of 25th October 1668; learing of on Interests of new Bank of Bousbay	8/3
Fagairy as to intention with reference to points not provided for	209
Government of India points our how inconvenience appeal and ad may be obvisted	369
Of Navember 1806; cause of f ilura of insufficient value fixed on sovereigns	. 35
Of 1561; fallers not due to value fixed on sovereigns, but to other causes	410

~	TAOR	i
totification—concluded.	422	•
	479	
	439	
Of 28th October 1868, morning that of 1864, in other of 28th October Of 3rd November 1868, correcting an erration in notification of 28th October Of 1864, temporary success of, owing to state of exchanges	. 410)
a tori es mathematical are consecut to this continue to the co	, ,,,	
or lead discrepancy held con it and our it. Temple's intitute of their	151	
or out. No ambor 1869 rates allowed for well of Euro Con-	. 613 . 514	
Action, Des 1970 roomeine inclient, of collinging and animal recommendation of the collinging and animal recommendations and anim	532	
Of 1861, restrictive character of, unday cheeks tree important to game	515	
Of 1864 became a dead letter by following market price		
Onslow, Mr. D. R., Secretary to Currency Commission—See Commission. Orr, Col. C. A., memo by, object of enquiry as understood by him	. 455	;
Case of France, value of gold to silver greater in market than in coinage	51	
Silver alone come to be employed, and cold simost disapprofice		
After discovering, gold declined in intrict, and became intention of Ity ment	450	j
Three was to introduce gold. 1st, legalizing for creigh at equivalent to since	*** 71	
2nd, issuing Indian gold pieces of Rs 10 at price of in tals in London	,,,	
3rd, modifying seignorage, so as to raise value of silver rapec. In 1st case, value of sovereign to be fixed not by price in India but in Lurope	••• ,,	
If English sovereign adopted, comage must be extended to Indian minta.	. 167	
Sequerage charged will have to be abolished, as in London and Sydney .	• 4 95	
This to be taken account of in calculating value of sovereigns in ruples	, ,,	
In 2nd case, value of gold piece in rupees how to be calculated	*** 22	
In 3rd case, seignorage on silver how far to be raised to equalize value	455	
Conclusions arrived at, summarized Assumed that silver bears fixed price in Europe, but this not so	159	
Mintage charge on silver must vary to keep metals at par	•• ,,	
Gold likely to be imported, if again displaced by silver in France .	460	
PAPER CURRENCE not used except in Calcutta and its vicinity .		2
Introduction of, not deemed expedient at present hy Sceretary of State	. 18	
Better than gold, regarded from the point of view of portubility	25	
Considered by Secretary of State to meet wants of community better than gold Object of, to set free reproductive capital	. 20	
General intelligence and confidence required for its reception	. 5:	
India, from past native misrule and distrust, not prepared for it		
Figures from Currency Department reports quoted in proof	*** ;;	
After six years, notes taken are only 6 per cent of actual circulation	5	1
Capital released only to extent of one million sterling or 1 per cent	***	
Conclusion, that Act of 1861 has not effected the needed reform	***	
Gold the only efficient basis for paper entrency for India	6	
Doubt of realization of Mr Wilson's anticipations of relief	9	
Reasons why notes are not found to answer purposes of people	11-	
Advantages not denied, but people not educated to it Causes of failure of Mr Wilson's attempt to introduce a convertible paper	11	
Circumstances favorable, but custom and social habits prevailed	11/	
Failure of attempt to float a tentative paper currency, inference from whole	113	
India prepared for, on a widely extended scale	14	
Existing paper system has not realized expected benefits, reason	*** ,,	
Aim should be to circulate notes as legal tender throughout each presidency Immediate creation of circles of issue throughout country, recommended	***	
Mofussil treasury balances to be made available for conversion of notes	,,,	
Acceptance of notes for Government dues to be everywhere authorized	*** 27	
Dowest denomination of notes should be reduced to Rs 5	** 99	
The only security which held its ground in crisis of 1863 64	15	
Paper based on silver instead of gold, an irregular advance per saltum Currency fairly successful, note circulation, 5 rupee notes should be issued	15	
A of accepted by the people, who will have intrinsic value	٠٠ ,,	
Mr Wilson's Opinion, of effect of issuing notes against gold receive	*** ,,	,
~ Opinion of the Grandullion, of the Treasnit, on come approach	16	
Complete from 18840 of notes in exchange for hallon of well as seen	16	
Mint certificates payable on demand instead of after sight This involved difficulty, large remittances to Bombay necessary	. 16	
Dimensy from same cause felt at Calentte and Madrag as well as Dombon	*** ***	,
- ac basis of paper currency, issue of notes in exchange for come only	16	6
and the state of t	***	

111		710
PAYER CURRETOY—concluded. Thus practice might be reverted to, of paying cartificates after coining		16
Proposal, that notes be made payable in gold or silver not in bullion		18
Resolution of Covernment of India; to be exchanged for rupees and sove	not bulli	
Existed in Britain, France and America before gold standard was adopte	1	28
Secretary of State a decision regarding lams of notes; principle of note of	TI FT-SELLTY	30
Difference between bullion in Bank of England and as imported to India		30
Secretary of State's despatch of 1881 quoted, in favor of view taken	_	,
One main object of to economize lame and make it reproductive		. ,
Amount of notes in circulation and of securities invested; reserve in col-	and bull	on "
Much less would suffice for probable demand, if kept in legal coin		,,
Note circulation and reserve of Cal. and Bom.; providen for demand in	cush balane	ces "
Advantage in economy of making mint certificates payable after coining		20
Objections to Secretary of State's proposal regarding bullion and mint co	rtiflostes	. ,
If premiss correct, three loferences following therefrom stated		
Commission of enquiry into circle system proposed by Bengal Chamber		88
Covernment concur; alteration first directed to working of Act XIX of I	1861	*** #
Resolution of Government on subject of enquiry; Commission constitutes	ì	83
Report of Commission appointed to enquire into working of Act XIX		38
Proceedings of Countrision; large mass of evidence collected.		
Questions circulated; epitome of Secretary's precis of replica		33.
Inferences from wide field of enquiry and amanimity of opinion		83
People not educated to use of paper currency but extension not despaired	i ox	*
Extent of banking capital not ascertained but very considerable		~
European system is ken hold of presidency towns and spreading through Causes found to retard free circulation of currency notes	country	. 331
Farther action rests with Financial Department; suggressions for larger r	alama.	. 001
Opinion in favor of a universal pote; difficulties to be coped with	E104 E1	914
Agency for circulation to be considered, including employment of banks	-	31
In regard to 6-rupes notes, number of opinions slightly in favor	-	
But weight of argument against, including majority of Commissioners		~
Attention drawn to opinion and arguments of Baboo Ramgopal Ghose on	point	
Time come for improvements and reforms for development of paper curre	nicy .	81
Resolution of Government of India on report of Commission, 19th Octob		. 34
One advantage of gold that it facilitates eirenlation of notes		41
This would be more perceptible if circles of lesus were amalgamated		
Effect of gold on; If gold over valued, difficult to cash notes		47
One effect of gold to drive out paper confining it to remittances	44	45
Gold should not be exchanged for notes, unless made legal tender	•	56
PAPER CURRENCE BILL; extract from Mr Laing's minute on bill		3
Extract from report of Select Committee dated 16th February 1861 Amendment introduced in accordance with Mr Laing's proposal		3:
Extract from bill embodying amendment		3:
PARRY MR. J C. of Delhi Bank, to Sir C. Trevelyan, 5th May 1804	-	18.
Feeling at meeting of native bankers that gold standard will succeed		
Some would leave it optional to pay in gold or silver up to its, 100		<i>n</i>
Principal banker would use silver only as fractions of a sovereign		
Own opinion; till all rer absorbed, it should be received up to its, 100 or	200	
Sovereign most convenient; amount and market rate at Delhi		
No half measures or there will be fallure as before	••	
I sletling arrangements to be legalized in gold at Rs. 10 each sovereign	**	
Hollers of notes and securities how benefited by arrangement	···	160
PERFECUENCE, Mr. T R., Accountant General, Ceylon; memo, on currency of	of Island	•67
R gulation of currency and orders passed at different times		203
Forereign, whether British or Australian, legal tender for 20 shillings		
Rupec a tender practically for 2 hillings, but not by law Difficulty in practice of obtaining tender of a sovereign for Rs. 10		
Encloses paper of extreme valuations in 1862 and 1863 by a local bank		
Rupes and British encremey circulate side by alde greater portion Indian	-	
Three causes specified, why rupes is preferred to Loglish silver		
Prices of Briti h ad Australian sovereigns ruling in 1862 and 1863	***	203
PERMANENT SETTLEMENT \ W P Board a letter with minute of Lieutenan	t-Corerpor	m
effect of gold on	•••	273
Mr M ney a remarks on Penior Member's minuto on subject	•••	-
Los expected from probable fall in value of gold Limit of India a rower to algorit metals, diminished demand for gold	-	274

637

1	TOE
PERMANENT SETTLEMENT—concluded.	274
Advistment of values every 30 years, mode or providing for this	275
Finture settlements to be subject to periodical equalization	"
Minute by Mr. Muir, Senior Member, Sudder Board, N. W. Provinces, 23rd July 1864 Sir C Trevelyan's measure has an important bearing on permanent selftlement	,, 13
Sir C Trevelyan's measure has an important denting value could be disregarded	,, ,,
Not so gold, chormons production tends to cheapen met il	33
Curses preventing depreciation from being felt lutherto))
On filling of present voids, rapid depreciation in value of gold will ensue	276
Fall will affect perpetual engagements expressed in gold currency	,,,
Corresponding virtual diminuition of land revenue shown by an example	"
Future rulers should be left at liberty to resignst the demands of the State	96
Demand not to be modified on altered standard of agricultural prices	,•
But according to relative value of gold and silver	277
Advantage of this mode, that it can be applied to Bengal and Benares	**
Uniform terms of permanent settlement every where an important object	17
Settlement originally made in silver as representing share of produce	**
Point illustrated by case of a private contrict on a similar basis	31
Distinction between ordinary transactions and perpetual obligations)) ()≃()
Cases of perpetual anumities few, but to be exceptionally treated Objection met, of no special condition being required, where standard changed	278
Perpetual obligations to bo met on basis of equivalence of value	17
mile a secretable absume of cloudend not motten of nonecuty but come onioning	1,
No breach of faith involved as regards the permanent settlement	2)
Readjustment on average of past 10 years if fall in gold exceed 10 per cent	279
Objection met, of other sources of tuxution opining with progress of country	
Also, that basis of proposal, rez., fall in gold, is uself uncertain	"
Minute of Lieutenant-Governor, North Western Provinces, dated 20th August 1864	280
Value of silier may fall as well as of gold, true remedy, a grain st indard	,,
This highly desirable to regulate rents as between landlord and tenant .	,,
Permanent rise in food grains a clear indication of fall in value of money	**
Reason why theory, though just, cannot be applied to permanent settlement	281
Does not share in Mr. Minr's apprelicusion of greater depreciation of gold than silver. Government fixing value of gold a sufeguard, still, long before gold displaces silver	21
Discussion of subject in relation to permanent settlement why premature.	**
Government of India considers Lieutenant-Governor's view of question raised, sound	,,,
Serious objections to periodical adjustment of values of gold and silver	22
Not necessary to enter on them, if gold lowered, silver too would fall	23
Probable that depreciation of both metals has reached limit	282
Government of India to Secy of State, forwarding correspondence	1)
PHILLIPS, Mr. H. D., COL, TANJORE, to Madras Board, 10th June 1858	2Ï8
Imbility of Merasidars to pay their kists, owing to scarcity of silver	,,
Proposes that sovereigns be accepted at par in payment of revenue	"
To Madras Board, 23rd June 1858, statement of sovereigns offered in 14 talooks Merchants ask to pay salt and customs dues of Government in sovereigns	221
To Madras Board, 25th June 1858, forwarding statement for two remaining talooks	3,
To Madras Board, 24th July 1858, trade with Ceylon paid by Accountant Genl's bills	222
now, remittances made in sovereigns, and sale of bills fallen off	224
Another cause of scarcity of silver, extinction of Tannore Ray	"
Further cause, expenditure on account of public works curtailed	,,
Reasons for believing that large influx of sovereigns will continue	225
Withdrawal of prohibition will raise value and and circulation of gold	"
To Madras Board, 6th August 1858, collections of Kevalore talook in sovereigns	**
To Acct Genl Madras, 18th September 1858, asks to pay out sovereigns as special case Porter, Mr N, of Sciude, Punjab and Delhi Bank, to Sir C Trevelyan, 20th May 1864	230
Had a meeting of persons engaged in trade, including Mai warees and bankers	18G
Nature of question proposed to meeting, with a homely illustration	"
Advantages of a gold supplemental currency appreciated	32
bovereign preferred, local price, would not be at premium except for exchange	187
Put posco	
Precious Metals, movements of, guided by self-acting principles, disturbance causing	"
derangement . India reproached as being sink of	28
Movement of, governed by many contingencies besides supply	57
traduction of gold discoveries, consider the Another trade	285
These effects followed California and Australia, how arrested or modified	51

	*40
Parcious Marate-concluded	30
Value of subject to same law as other commodities. Cheapest at place of production, increasing with charges to destination	
State of produce markets equally affects both metals, not disturbing relative value	
India a caracity of absorbing causes difficulty in introducing gold	430
PRESIDERGAST Mg. G L., Acctt. Genl., Madres To Government of Med at, 25th June 180	8 219
Suggests that orders of Suprame Government be taken on Tanjore Collector's proposal	
Under the circumstances, is in favor of receiving sovereigns at par Mode in which sovereigns pahl as revenue should be disposed of	**
To Government of Madras 28th Sept. 1858; forwards Tanjore Col. slotter with remark	22
Asks that Col he allowed to pay sovereign when after is insufficient	2230
To Gover ment of Madres 14th Oct. 1858; particulars of sale of gold from Tanjor	 235
To Government of Madras 18th November 1858; has issued prohibitory orders to Co	≀ ×3∗
Submits explanation required by Govt. of India, why Rs. 10 taken as par value	788
Sale of sovereigns received from Tanjore has resulted in a clear gain. To Government of Madrae 6th Feb. 1859; reporting outturn of further sale of sovereign	n 234
To Government of Madras 4th July 1859; further report on sale of sovereigns	237
To Government of Madras Oth September 1859; further report on same subject	288
PRICES OF FOOD rise in, partly owing to greater disposition to consums PROBYN Mu. L. C., Accountant General, Punjab to Sir C. Travelyan, 20th May 1864	121
PROBYR MR. L. C., Accountant General, Punjab to Sir C. Trevelyan, 20th May 1864	187
Could not go to Unritisis; enquiries confined to bankers of Labore	. 18
Price of sovereign fluctuating; cause of large imports of gold to Punjab If made legal tender at presidencies, will succeed in Punjab	
PROCEEMATION of 1852; question whether longer needed, or should be withdrawn	878
RELATIVE VALUE.—See also GOLD CURRENCE	
Bir W Mambeld s remarks on valuation of sovereigns and gold pieces	18:
Original calculation of value of sovereign erroneous; arror how neutralized	131
Value of gold in 1861 nearly the same as when calculation was made. Remarks of Sir C. Trevelyan on rating sovereign in reference to rupeo	~ 17e
Question of respective values of gold and silver in india of great importance	27_E
Objections to periodical adjustment of values of gold and after aerious	291
Elements wanting in India for concurrent valuation of gold and allrer coins	205
Of gold and silver not altered materially from that of Act XVII of 1835	435
Intrinsic value in relation to silver spart from other elements Of gold to silver deduced from tables in report of Com., not strictly correct	. 440 450
Value of gold to silver greater in market than in colunge	15
A needful condition, even when gold pleees are made legal tender	481
Gold, relatively to affrer cheaper in India than in London	. 48:
Intrinsic value to be regulated by average relative value in Europe	43
Experience needed of real relative value; Act assumed to represent it Does not really change despite intermediate fluctuations	- 40: 510
lalues adjust themselves ; experience of series of years to be considered	511
Point examined with Mr. Dickson for more than 100 years; result	_
Present gold coinaga really represents value of the two metals	525
Cardinal test, cost with charges establishes proportion of 15 to 1	~ ŭ
Frample of variation of, with price of silver in London Conditions in India and England not analogous, so that latter should determine value	
Reason why differing in India from that in England	554
Example showing value of gold pieco not f r from 15 to 1	
Remarks of Mr Dunlop on importation of buildon into India, app. 8	23
RAMIRYGAR, Mr., Superintendent of Siamps, to Government of Madras, 1st Oct. 1803 Till sovereign made legal tender Impossible to fix equivalent rata	40:
Whatever the rate fixed, it will not answer while market price varies	~
Does not think coinage under Act of 183, will be more successful	463
The coins not being legal tender would be as much buillon as before	
If feasible and successful, doubts if proposed measure is desirable	16:
Does not think any coins but soverelgns would be convenient If gold to be introduced, no half-measures will be effectual	
Call for gold currency amongst the people elmost universal	<u></u>
icason for thinking money markets would not be deranged by flow of gold	-
Markets disturbed by depending on after alone and handshing gold from currency	46.
Change from silver to gold will not be sadden; transition period of double standard a Noull declare sovereigns and half sovereigns legal tender at Ba. 10 and 5; silve	
teral ted a conner	-
PRESTRINGER received in aid of Rombay General Treasury May 1802 to May 1861; app.	o ≃ji
Larour of Select Committee on Paper Currency Bill	3 :

PAGE

A S A S A S A S A S A S A S A S A S A S		68
RUPFE-Mr Cassels' proposal to continue legal tender up to 500, subject to alteration	•	121
		131
Will accord its allegate position in value, whether in give		**
Why no foreign com com the the exact matches of	•••	150
Official value of, before gold discoveries Real question, the worth of, not in London but at Calcutta Real question, the worth of the Novel of Agra Bank quoted on subject	**	**
	b •	17
Letter in amounds from Mr. Claud Drawn, or amount with	4.4	265
Completes in Covien side by side with British chirches	•	
my and any angles of the state that the state of the stat	***	270
The lengths up old prophylotian in Ceston Children to any comme	* *	••
1). A co in mont of tact hold on indian find the first to the	•	**
No practical inconvenience, English and Indian come circulate together		280
Must constitute general circulation for a long time to come A gold rupe e the only form in which gold can come into circulation	***	**
Unit of, the proper bisis, if gold comage he now introduced		492
Notes on all look to intrinsic he well as nonline value		526
Native rupce will not have advantage over British, not being legal tender	•	483
Euls of raising intringe value of, pointed out before		555
Necessary to leave untouched our present measure of value—the rupee .		105
SALT TAX, essentially a poll tax on every man, woman and child	•	121
Test of prosperity, eraying on ground of health first satisfied SANDEMAN, Mr. II, Officiating Comptroller General, note, dated 28th March 1872	•	56.1
Real question, whether general public require introduction of gold standard	•	**
Condition of misses, who find copper with shell tokens sufficient, described		
Those better off have paper money, passessing facilities for reinitiance .	•	6 15
Many arguments against silver urged in 1864, have proved inhacious	**	11
Undesirable to introduce gold as legal tender for a long time to come	•	17
Only money changers benefit, if we do more than supply wants for convenience	• •	ïs
Scoretary of State Ser C Wood's despatch of 4th November 1859 Not expedient at present to introduce paper currency	•	•
Circulation of sovereigns at fixed rate deterred for further consideration	•	"19
Sir C Wood's despatch of 26th May 1860, not advisable at present to introduce p	(હોલે	29
Wants of community better met by paper currency, sanctioned in Murch	•	"
Extract from despatch of Sir C Wood, duted 2nd May 1861	•	34
At present a sovereign can only be taken at its variable value as gold	***	77
Power given in Paper Currency Bill to be used to a limited amount, and only in sidency towns	pre-	
Extract from despatch of Sir C Wood, dated 16th September 1862	•	$\ddot{3}6$
Does not see how clause in question will introduce a gold currency))
Effect will be that paper will be subject to variation, gold remaining in deposit		"
Question of introducing gold has no connection with issue of notes on gold		17
Reasons why steps with that view are mexpedient at present		37
Despatch of Sir C Wood, 26th Sep 1864, case stated, general desire for gold ear Practical measure to be considered, establishment of a double standard.	118	296 29 7
Apart from special questions, great objection to proposed measure		
Cheaper metal becomes standard, which slight value differences may change	••)) ;1
Finnee an illustration, first silver became currency, then gold displaced it		"
Question occomes, whether cheaper to pay Rs 10 by a source on or in silver		
Two ways of providing sovereigns, coming in India, or importing from abroad	• `	298
Mr Brown and Mr Daulop's papers helpful for calculating cost of sovereigns Doubts if present prices in India are a good criterion of their value	•	"
increase value measured by price of silver in European markets		2)
rice of gold with charges to India must raise cost above Re 10	•	"
is sovereigns could be could in India, more advantage in coming siles		299
Album 11 Imported from Australia, soy would be worth inprofition to 10		11
Contingencies possible which will be more in favour of silver than now Conclusion, proposed measure inexpedient, and would be inoperative		23
To the arrangement better, rocciving gold at fixed rate at tracerving		**
be in tent its 10. He loss timing bring falls below these		**
- The state of congression implied in making coin a local forder		300
Theoret advanting from mengaro or not to be learned of	••	
T 1 14	eigns	"
Despatch of Sir C Wood, duted 17th May 1865	••	,,
Points of correspondence with Bengal Bank, 10fers to despatch of 26th September	•	324
2 , Totals to despate of 20th September		•

	FAG
SECRETABY OF STATE,—concluded.	
Recaipt of sovereigns authorized by that despatch only as an experiment	32
Does not consider time has come for a further step in advance No proof that sales have been effected at branch banks at premium	-
This only proves that real value of sovereigns is well understood	*
Sovereigns accumulated in depts, ordered to be transmitted to England	
Sir C. Wood's despatch, 30th November 1965, acknowledging receipt of sovering in	82
SECURITIES Of Govt.; effect of paying luterest in gold, instead of silver as stipulated	1
Reply of Bengal Chamber of Commerce to objection on this score	1
SKIGNORAGE—see BUILLON SKILTOT CONMITTEE—Extract from report of Idih February 1881 on Paper Currency BIII	8
Amendment introduced in accordance with Mr Leing's views	
SUPPLEMENT—APP PERMANENT SUPPLEMENT.	
SHEOFFE. Representation, through Bengal Chamber on desirableness of a gold currency	:
Reasons for introduction at present time argue	*
Views and reasons of objected to by Government of India	1
Views upheld by Bengal Chamber of Commerces Of Upper India; their feeling recorded in Appendix 1 to Sir C. Trevelyan's minute	14
SILVER—see also GOLD	
Difficulty of obtaining from other countries, deranges the exchanges	**
Table of bullion and coin imported in last six years	8
More than annual production of the world absorbed by India	51 12
Inadequate to wants of circulation since sotting in of prosperity Average price of har silver in Bombay for 100 tolahs, 1853 to 1863, Appendix B	13
Average price of bar silver in England per on standard, 1856 to 1863, Appendix C	13
Price of bars per ox standard, in London 1853 to 1853, Appendix G	14
Before California, production more than gold, since, cose reversed	15-
Imports of already equal to entire production of whole world	16
lilats unable to turn out coins as fast as required Average monthly amount remaining unissued in 1862-64, Appendix 3	16
Bullion received monthly at three mints from May 1803 to April 1804. Appendix 3	16
Total amount coined; balance uncoined at end of each month	
Hallou tendered monthly at Bombay May 1803 to April 1884	1
Bullon received coined and remaining uncoined in three mints, May 1863 to Ap	ત્તી 👡
1864. Appendix 3	20: 20:
The same in Calcutta mint. Appendix 3 A The same in Madras mint. Appendix 3 B	. 210
The same in Bombay mint. Appendix 3 0	21
Bullion tendered for columne to Bombay mint, May 1861 to April 1801	213
Statement of remittances in aid of Bombay tressury May 1803 to May 18	31.
App. 6 Table of out turn of bars sent from London to be coined at Calcutta	. 210 25
lists of Council bills on India last year the measure of pulse of her allow	
Rate of Council bills on India hast year the measure of price of bar silver Present rate of bills equal to Ge 2d per on, of bar silver in London	25
bintement of seiling price of bars of standard quality in London	25
Tables from Financial Department, Illustrating facts regarding price of	48
Fir W Manufield a remarks on table of prices of bar silver in London Statement above on the London Come 18 of to 1805	50 51
Statement showing price in London from 1806 to 1805 Of late years, more received from China than from England	66
Statement of Imports and exports from 1850-61 to 1875-76	66
Crined since 1809 much less than in four years previous to 1809	50
Import and columns of 4 years before and since notification of vorember 1808	ec.
Six Ma. J. D.—To Covernment of Madras, 22nd September 1868. Of late years there has been great increase in imports of gold and silver	4
I respit mal circumstances passi g away; metals reverting to normal standard	» H
l'eculiarity; larve portion of allver exported, bulk of gold remaining	"
Prices I severagus from 18°) showing impossibility of fixing an equivalent	4.
The not think a few equivalent than Rs. 10-13 will meet the object	** **
Not in f your of receiving sovereigns at treasuries at a fixed value. Volve cannot y t to saf by predicated; if not made legal tender rate might be saf	'lv "
raised to Ba, 10-9	· '
But to encourage introduction, no rate lower than Rs. 10-12 sufficient	45
I stead of measure proposed, would leave cold a marketable commodity	#
In I question, at what innuised value hould 10 Rapee gold pieces be coined?	
If no not see how equalization with its, 10 in silver can be made or maintained. The tent in to be expected while silver is falling and gold rist of	,,
to mi! It course between makin publ logal standard, or retaining silver as it is	

				17(1)
SIM, MR J D,—cond	edited or change, rold would not displace silver as circulating	medium		451
Time nor come to	se out paper currency, confining it to remitt inces	44	•••	
Na check to un	nchurs being taken at legal value, but this not lifely	••); ;;
Sol rinion.—See also	Goth Cleitscr.			"
Original calculat	ion of value erroneous, error how neutralized	•		131
Price of, in Bour	bry, 1857 to 1863 Appendix A		٠.	135
Comed in Austra	lm, and made legal tender in Colonics	•••	••	170
Annual rates of	rale from January 1859 to June 1861 in Appendix 8			180
Mr Claud Brown	is opinion that it may be turned out at mint at Ra 10	••	•••	181
Rate in Upper Ii	idin secreely exceeds that at parts, this explained			
Dita showing vo	lue of standard gold to be Rs 14 11 per meliur		•••	266
Cost of forceign	int this price, with reignorage Rs 10 th	•	• •	77
Extreme valuation	ons during 1562 and 1563 by a local bind		• •	269
Prices of British	and Australia, raing in 1862 and 1863	•	**	269
Price in India no	on article of commerce alightly above 18s 10 4		•	272 C 272 J
	or in Rambay of Tagash and Australian			272 K
Danistenza fran	I uglish sovereigns, &c., since 1530 I ugland to India how governed; quantity a factor		••	288
Mr. Duulon's cal	culation of cost of laxing down at Cal not borne out by	Ortl Bank	••	
Must be rated in	i India at Indian price in silver		••	302
	and Bombry since beginning of December 1863			803
	te on recept and issue of		•••	311
Pstumte of imp	orts for 1964 to 31st December, from 8 to 10 millions ste	rling	•••	316
STRICHT MR J -3	Imnte, datea 30th January 1869, on a gold currency			179
In October Inst.	objected to notification, dielaring sovereigns receivable a	t Rs 10 1		480
That initiate mir	daid, proceeds to re state grounds of dissent			"
Summary of me	isures taken in 1861 and 1869			,,
Notification of 1	868 olyected to, because it would have no effect, this sh	מי אט	• •	,;
	e could be fixed, sovereigns would have fluctuating bullio			**
sell as bullion	applies to all gold coms unless legal tender, and so rate	ieu ns not		
	nder, coin becomes an article of ordinary merchandise	•	* •	181
	ich, does not lose that character, case of two metals curr	ent	•	
	ween notification of Oct 1868 and Sir R Temple's minut		368	23 33
	mile legal tender, another needful condition, relative valu			"
	om gold under Act of 1835 made by Sir W. Mansfield in	1861	•	,,
	subject cited from his immite of March 1861	•	• •	482
	endation by Currency Commission, extracts from report	•	•••	, ,,
	whether rating under Act is proper rating for new coinage		•	483
Mr Arbether's	to silver cheaper in Imlia than London, Mr. Arbuthnot q s remarks exhaustive, Imlian values tend to European sta	norea	•	404
Conclusion, intr	unsie value to be regulated by average relative value in Ei	າແແ້ເ	• •	484
Statements in d	espateli relativo to correctness of standard of Act, quotec	i i	• •	"
Question not on	e of opinion but fact, is value assigned by Act correct?		•••	485
High price of si	dver when minute and report were written, not minitaine	\mathbf{d}	·	"
Reference to tal	bles, showing price given to silver by Act, not reached sin	co 1820 ·	••	,,
Tables from Fin	inneial Department, illustrating facts stated regarding pri	ce of silver	•	486
Figures snow th	ant gold pieces of legal tender cannot be comed at intes of	· Act	٠.	487
In this could be	done, any increase in value of gold would demonstrate pre-	ces	•	**
Aronment of di	gold must have this effect, preventing circulation of piece rect import from Australia, European prices would still r	08 1. TJ.	•	"
Onestion of con	ung pieces under Act from gold obtained under the notifi	me man		400
Quotations of s	overeigns and bars, loss of coming from sovereigns compa	erolou Tred with ha	re	488
Absolute loss of	1 42 per cent in converting sovereigns into gold moliurs	/		33
Inference, piece	s so coined would be withdrawn from circulation after issi	10	. :))))
Prices of gold of	quoted in Indian markets refer to coin, not gold as bullion		•	"
Despaten to Sec	eretary of State quoted as to comage under Act still going	ou		489
Solo officet to a	nent, -pieces coined never come into circulation ive the gold a certificate of weight and quality		•	"
Steps to be tak	en for a gold currency, desirableness left out of question			400
Two conditions.	legal tender, and intrinsic value regulated by European in	narkete		490
Unwise to coin	gold, with purpose to alter value according to Indian mar	kets	• •	,,
Mode in which	pieces may be comed of value regulated by that of Europ	A	•	"
Proper comise t	o limit legal tender to Rs 200, as far as public is concerne	Ъ	-	491
But Governmen	at to receive gold coms without limitation, result of over	189110		,,

	PART
STRACHET Mr. J., -concluded	491
On equalization of relative values in Europe and India, gold to be made sole standard. This process followed by European powers that have adopted the Franc unit.	#9T
Remarks on proposals of Mint Masters, especially Colonels Ballard and Smith	403
Present time inappropriate for assimilating Indian standard to pound sterling	
If gold colrage now introduced, it should be based on rupeo unit	29
Mint Mester's scheme, to force gold by contracting allver currency	**
Disastrons effects of artificial enhancement of cost of silver money	403
Measures for introducing gold should not disturb standard of value STUART MR. J to Government of Bombay 3rd August 1858; is in favour of a gold	103
STUART Mr. J to Government of Bombay 3rd August 1888; is in layour of a gold currency	420
Exchange, more than price of gold, governs shipments of sovereigns from Australia	
Sovereign sent to India by Australian banks, as mode of remittance to London	
Failure of notification of 1864 due nut to value put on sovereigns but other eauses	۳,
Uncertain value and difficult conversion the bar to sovereigns used for remittance If fixed value given and made legal tender sovereigns would supersede allver	4.1
All necessary to make sovereigns and balf-sovereigns legal tender at Ra. 10 and Ra. 5	-
Present high rate due to fact that there are few in the country	~
Introduction facilitated by legal tender declared at Rs. 10 and Rs. 6	
Mohura might also be issued at Rs. 15, but sovereigns more useful	*
SUBSTITUTE CURRENCY -See GOLD CURRENCY	
TAYLOR, Mr. J. Secretary Bombay Chamber of Commerce.—See BOMBAY CHAMBER OF COMMERCE	
TEXTLE, SIR R Marie of 6th June 1808; opening remarks; why notification of Novem	
ber 1861 failed	375
Question to be considered, if proposed rate should not be raised above Rs. 10	276
Amount received at treasuries; everage market value discussed by file W Mansfield	
Quotations from Sir C. Wood, Mr G. Arbuthnot, and Sir C. Trovelyan Proposes, that local Governments and Mr Dickson of Bengal Bank be consulted on rate	377
Act XVII of 1836, Section 7 quoted as providing a gold piece of Ra. 10	8 8
Passages cited from report of Commission and despatch of Sir C Wood	
Question if proclamation of 1852 is longer needed, or should be withdrawn	,
Means existing of procuring sufficient supply of gold for coinage	870
Overnment to take power to declare gold coins legal tender at proper time Attention to be given to combined system of international and decimal coinage	-
Before declaring legal tender would awalt effect of receiving sovereigns at revised rating	13
and coining gold pieces	_
Reference on these points to be made confidentially to local Govts, and Mr. Dickson	, .
Minute 25th September 1869; opinions elscited by circular; Madras replies expected	435
Time come for notification effering sovereigns at Rs. 10-4; this at least safe Proposes a fresh proclam two under sanction of Governor General in Council	430
If unite dated "Oth October 1803, authantiting draft notification	437
Question of coining gold pieces to stand over for the present	433
Answer to Mr Stracher on point of reference to Secretary of State	
Mante dated 12th February 1960; introductory remarks	500
For reasons for course adopted by Gorta, refers to its despatch of 23rd Dec. 1803 Data of European reluce admitted, but exchanges and the like cause fluctuations	
Mr Strackey a consistent to add charges to price of silver in Europe	ธ ถือ
Also the circumstances causing demand for allver in India	"
Main point, relative value; price of sovereign in India as proved by evidence	*
listing from experi nce bears out valuation of 1845, and proceedings of Government	
Relative value does not really change despite intermediate fluctuations. Values soon adjust themselves; experience of series of years to be considered.	ธ์ใน
This point examined with Mr. Dickson, for more than 100 years; result	
Sufficient reply to Mr Strickey that in fixing rate of Pa. 10-4 we act cautiously	
Does not see how Act of 1835 can be obsolete as asserted by Mr Struckey	-
Or that level tender f gold should be ilmited, that of allrer being nalimited	*
Thi contrary t natural order and recognized principles and practice If te of 15 (dat omitted)	514
bulmit potes by Mr Dickson of Bengul Bank and Mesurs. Chapman, Sandeman	
an-t Gray	-
Coll corrency des rable a pieces colord represent relative value accurately	515
One doubt then for ultimat I making gold the one legal standard the doubt throat of matter whether gold currency is needed at all the standard to the doubt the standard whether gold currency is needed at all the standard transfer of the standard	
theer t have in doubt, but book with M. Laing and others that it is required	-
receds to state reasons why a go I currency is desirable	_

		F101
Truph, Sir R,—continued		P10
Superior estimation of gold in all countries; a writer on bullion quoted .	• •	510
The most advanced nations, Lingland, France, &c., possess gold currency	•	**
Allowed best medium of exchange and measure of value in large transactions		27
Adam Smith Michel Chevalur, McCulloch, Tooke and Chambers quoted Also Dunning Macleod, John Stuart Mill and Nicholson, on same side		517
Also, authorities who prefer silver standard, as Ricardo and Jumes Wilson		518
Indian civilized country, though poor, in parts rich enough		
No answer to say that mass of people see nothing better than copper	•	"
The most important classes, lenders of the nation, use gold		97
If not for interior, gold wanted for internal, especially foreign trade		"
Number using gold measured by number of 5 and 2) rupee transactions .		510
Facts cited, showing national projudice to be in favour of gold		,,
In 1835, silver sole legal tender, but gold still received at treasuries		520
The stopped in 1853, but prohibition withdrawn in 1869		17
Measure not effectual state of exchanges presenting imports of gold bullion		• • •
No permanent influx expected till gold pre es are made legal fender		"
McCulloch quoted, Sir W. Mausheld cliborated sime point in 1864	•	•,
To compel use of one metal, enlimers price, and an unnecessary expanse	•	,,
Amount of silver in India, small percentage in purchase, a large extra expense		
Again, use of gold a great saving in minting charges and wear and tear		521
Further, gold wanted, because it has effect of steadying price of silver		**
Special reasons in India why silver currency is inconvenient without gold Continent of Europe and India how different, India supplied through England		" "
Australia the natural source of supply of precious metals to India		522
System of metallic currency prevents India from using this advantage		"
Col Smith, Mint Master, and Sir W. Mausfield quoted on this point	• • •	**
Also Sir C Trevelyan, how bolonce of trade would be adjusted with Australia		523
This illustrated by adjustment, which takes place with China		
One marked peculiarity of India, vast remittances to England at great cost	• •	"
Way in which payments arranged between Pugland and India, council drafts		12
Inrious ways in which this arrangement is inconvenient to India		521
Case of Hamburgh and London cited from Mr Goschen to show disadvantage to In	idin	525
Standard for India should be the same as that for Lingland		,,
Gold currency not only a saying, but facilitates settlement of obligations Mr. Chapann's argument of effect on native mind if silver be demonstised.		"
Quite true that natives look to intrinsic as well as nominal value of rapeo	***	277
Yet native rupee will not have advantage over British, not being legal tender		526
British rupee might be less esteemed, but gold currency would rise in repute		"
If old silver standard is taken away, a superior gold one is given mistend	• •	2)
Objection, sufficient gold not available to justify its becoming legal tender		527
This no sufficient reison for refraining from declaring gold legal tender		1 33
Need for gold would seeure a sufficient influx in a short time		,,
Present gold comage really represents relative value of the two metals Rate of Rs 10-4 for sovereigns coincides as nearly as possible with that standard		528
Non-receipt of sovs since 1869 due to state of exchange preventing bullion import		29
Non arrival of gold due to artificial causes, creating fancy demand for sovereigns		>>
Proportion of 15 to 1 between silver and gold affected by value determined by law		"
A cardinal test, cost with charges, establishes proportion of 15 to 1		"
Proportions suggested by Mr J Norman for bringing in gold for comage	•	5 <u>29</u>
Indian gold coins proper for currency, sovereigns might be legal tender for Rs 10	4	
Prospect of an international universal coin seems to be disappearing		"
Objection of national debt and paper currency being in supees, before disposed of		12 22
For other points refers to report of Currency Commission of 1867, and other paper. Urges proposals of Mr Dickson as safe and practical first steps	\$	"
If proposed measure fail, what questions to be considered and steps taken		530
If Government now decides, suggests that another Commission be appointed		_ ,,
Note, dated 8th July 1873		581
Records views on course to be adopted for a legal tender gold currency		565
This a real need of India, belief or disbelief of need at root of matter		"
Recommendations of June 1872 recapitulated, is still of same mind		566
Proposed subsidiary measures can do no harm, and in one way will do good		
This shown, still asks that proposed two steps be taken))))
Explains object of proposing a Commission to investigate relative values Account of past measures, gold for some time not presented at treasury.		,,
Sovereigns to a limited extent imported, commanding higher price than Rs 10 8		567
The state of the s	1,	

	PAG
TEMPLE, SIE R —concluded, Gold imported in same period less; silver since 1830 much less	86
Relative proportion of import of gold to allver as great or greater than ever	
Silver coined since 1869 much less than in four years provious to 1869	↔ н
But columns of cold greater; proportion of two columnes maintained	150
Table subjoined in illustration; comments on the table	
On whole, prospect of gold finding way into treasury not encouraging Question arises, when rate of Rs. 10-4 for covereigns, and Rs. 10 for pieces, is sufficie	nt n
Opposing views of anthorities; Commission desired to decide this question	×
Relative value hard to be ascertained on account of finetuations	56
Approximate average valuation ascertainable; solution possible	
Question to be propounded to Commission for investigation, stated When origing obtained, further reference to be made to experts in England	P1
By these means Government would be able to come to a sound conclusion	
Gold to be declared legal tender at rating so determined	57
In first instance gold not to be made sole tender but silver with it	,
If gold made sole tender there would not probably be enough for circulation	*
But it exists larvely in country; this seen from imports less experts Balance of trade would largely be adjusted in gold, when legal tender	P
Silver to remain legal tender till gold asserts its superiority	*
Effect of gold and silver being both for a time legal tender	57
Objections to double standard apply only to its permanent maintenance	,
Must be endured till opportunity of making gold sole standard	-
If allver holds its own at first, no harm would come from double standard. If gold flows in, that the moment to declare it sole standard.	•
Helay in result to be expected; if otherwise Government should be prepared	
Absence of prossure not a reason for not moving but the contrary	57
Government should be ready beforehand; this the time for preliminary steps	
Tione, Care, Offg Dep. Comme, Umbella, to Col. Sie Herbert Edwardes, 21th June 18	61 21
Particulars of a case of coining mohurs occurring as Jugadree Inference from mutilating sors, that sovereign ought to be made legal tender	ย์
Coining not confined to Jugadres, but extends to Delbi, Roorkee and other places	
Heads of evidence given by some of the parties arrested	~ .
Jeypore mohurs uttered in hills, Moorshedshad mohars in plains	21
Topp Mn. J C; Memorandum dated Rangoon, 27th June 1804	. 20
Gold currency in B. Barmah highly desirable; English sovereign the best form	ğ
TOKES—Meaning of token coin; legal tender of, why limited TOKES COURAGE not necessary during transition period, but when change is accomplished	12
In India, cause rendering it necessary does not yet exist	
Another resum against introduction, people not educated to the point	
Primary use to atona as matter of convenience for absence of silver	13
Another use to fix metallic currency protecting it from fluctuation. In gold, contrary to correct principle and all previous usage	60
If gold becomes standard, silver must bear nominal value, and became token coinage	55
TREASURE. Imports and exports of See IMPORTS AND EXPORTS.	•
TREVELYAN STR C. E. Minute dated 20th June 1851	. 14
Proposal of Ben Mad. ad Bom. Chams, of Commerce and of Bom. Association	146
Feeling of native bankers of Calcutta; of Upper India shewn in Appendix I Opinions of members of Bombay Government cited, and of Mr Walter Cassels	
Practical proposals in Mr Camels letter quoted	· .
Recommendations of Sir W Manufield, Bombay Commander in Chief noticed	149
Unanimous opinion in favor of gold currency; cause of unanimity	154
Nature of late crisis, and means of prevention or mitigation considered Condition of India from November 1803 to March 1801, has been compared with Lor	
don in 1817 and 1847	
But little in common; in India no drain of specie from state of foreign exchanges .	
Much bold trading in cotton and piece-goods, but markets had been rising	
Much active enterprise also in tea and other industrial undertakings	-
But public confidence in their profitable character remained unshaken Root of ev I much deeper ; Furope un tile to return merchandise	
Italance to be paid in metal, till cotton clothe sent on opening of trade	7.
But rormal state returned and since 1847 48 import of apecia increasing	#
Ralance to be pail in specie angmented by linssian and American wars	n
Demand on resources of Ipilia could not be met at former prices Inversion of food areas and labour raised price of labour and all articles	
Cotton mark & and a fine the format page of the court and all Efficient	· ,"ı

12DFZ 012

m Con G Y		FATE
TREVEIA 17, SIR C I -conferred		151 -
Crisis of 1863 64 not monetary, expect for exceeded imports		701 *
India not prepared to take I'm helt in mufutures as equivalents		170
Only article in universal demand among the people was specie		153
Gold being excluded as mojer, either had to be no the strain		,,
In other words, the crisis was emphatically a mirroratile one		11
Money in circulation sufficient to carry on internal exchange:		**
But not for meeting demand careed by foreign tride		1)
Modes in which produce exported to I ugland is paid for		**
In November 1863 demand ret in imprecedented in intensity and duration		**
Funds of Bond's exhausted, though Government each balances were made available		2)
High rates in larar for money Government scenative declined		
Only security which held its ground the Government note currency	***	152
Cress not caused by deficiency of circulating medium, proofs	•	153
But by unvillinguese to tike ordinary mercuntile equivalents.	•	
Also by regulations of Government, which pave silver advantage over gold	•	> •
Also in reputations in Government, which pare since anything four		**
Great imports of silver due to its being the only thing the people will take	•	30.4
Remedy for strain every addition that can be made to articles in domaid		151
Piece goods and varn, metal atensils and Cheshire rall coming to the resence	•	72
Chief object should be to make both metals articles of import		2)
Refore Culifornia, silver production exceeded gold, case reversed since		**
Mode in which gold from Australia comes in silver, deranging markets		155
Course of trade described, benefiting all, if gold placed on footing with silver	•	21
Vacuum in imports hitherto filled with silver, but worse evil behind	•	**
Imports of silver already equal to entire production of whole world		156
Reserves exhausted in United States and France, other countries, too, need aliver		,,
In adjusting exchanges, larger balance has to be paid to China in silver		"
Indian mints numble to turn out silver as fast as wanted		$1\ddot{5}7$
Average monthly amount uncomed in 1862 61 shown in Appendix 3	•	
Probable consequences of deflerency of other to might balance of trade .		**
Best remedy to put gold on same facting as silver as an article of import		158
This only to be done by restoring gold to its place in the currency		
Superior advantage of gold cummed up in fact of large value in small bulk	•	23
Comparative weight and facility of counting, Fixing loss and inconvenience		> 1
A strious drawbick, that enough money for use cannot be carried on person	• •	21
Paper the representative of gold, Indus has advanced to gold stage		>>
Gold used in India formerly, and still, in countries beyond frontier	• •	750
Paper based on silver is an irregular advance per saltum	•	159
Paper enriency fairly successful, noto circulation, 5 rupee notes should be issued	•	"
Not accepted by people, who will have intrinsic value in payment	**	>>
Increased imports of gold since May 1860 show which they like best	•	7.00
An ingot currency organized by them in some places, in face of discouragements		160
Real gold molars made by forgers who profit by the premium		"
Details of four such cases in Appendix 4, one on sealo of a mint	••	**
Other proofs that gold counge is popular, Joypore comage in esteem	• •	7,07
Punjab and Burmah cited, being two extremities of the empiro	•	161
Most decisive example in Madras, correspondence given in Appendix 5	***	"
But for Supreme Govt's interference, silver would have been displaced in Tanjore	•	"
Lord Liverpool's opinion justified that gold is the proper metal for rich countries		",
Question for consideration how this object can be best attained		162
Provision of Act XIX of 1861, Mr. Cassels' and Sir B. Frere's remarks eited		22
Provision borrowed from English Act of 1844 on issue of notes against silver	•	,,
Mr Wilson's objection stated, object of holding silver in issue department of Bank	** _	>>
England	01	
Reasons why a similar provision regarding gold not carried out in India.		"
Mr Wilson's opinion of effect of issuing notes against a gold reserve		168
Opinior of Mr G Arbuthnot of the Treasury on same subject		"
Complication from issue of notes in exchange for bullion as well as com	•••	164
Mint certificates payable on demand instead of 20 or 30 days' sight		"
This involved great difficulty, large remittances made to Bombay		165
Difficulty felt at Calcutta and Madras also to meet certificates	•	"
True basis of paper eurrency, issue of notes only in exchange for coin		166
This would enable return to practice of paying certificates after coming	•	"
Appendix—1st, silver bullion received monthly at three mints, May 1862 to April 18	C 4	"
2nd, total amount coincd, 3rd, balance uncoined at end of each month	40	167
4th, silver bullion tendered monthly at Bombay, May 1861 to April 1864.	•	, ,
, milet pumon condered montanil are nominal, may 1001 M Whit 1004.		"

G16 INDEX.

	PLGE
TREVELYAN SIR C E.—confissed. 5th, remittances to Bombay May 1853 to April 1864, to reluturee Govt, balances	107
Does proposed in connection with gold columns module and star percods	. 10.
Act of 182K enacted cold coins not as legal tender but passing at treasuries	,,
Rate stated in proclamation of 1841 subject to variation from time to time	#
In May 1844 reduction of selgnorage on gold builton extended to Madras and Bombey	168
In January 1850, effect of California on price of gold in India first noticed. Fifect of Australian discovery; gold not received at treasuries after December 1853.	~
We should now retrace our steps and declare gold with allver legal tender	. ,,
Mr Wilson s objection contract to be paid in motal in use when made	160
Objection answered by Sir W. Mansfield; his arguments noticed	
Question of double standard; popular scutiment, one metal measure of value	**
Though two made legal tender one practically the standard of value	170
British currency passed through alteration stage till gold was established in 1816. This experience applied since 1838 to reform of metallic money in colonies.	**
Whole process described to Appendix 7 extracted from Mr Arbuthuot a memo.	
Our example followed by United States ; proceedings there described	
Same change in France 1801 to 1850; gold now the standard currency	171
Papers relating to Ceylon in App. 10; immunity from crisis due to double standard	172
Nothing remaiss to be added to arguments for gold as suxiliary currency	*
Steps of process of introduction; habits and feelings of people to be regarded. Gradual addition of gold to existing sil er currency recommended.	=
First effect, to raise value of gold and lower that of silver; advantage of this	~
After effect, to fill currency with gold, after becoming token comage	_
Advantage of one uniform standard of exchange throughout the empire	173
After California, sovereigns took place of dollars in Mediterranean and Lerant	
In Australia, sovereigns coined and made legal tender in coloules	
Select Comes, in 1802 to report on legalizing Sydney sovereign in United Kingdom Contents of report; recommendations of committee under six heads	**
Recommendations accepted, and treasury minute recorded on 8th June last	. 124
Thus only external abstacle to supply of India with gold about to be removed	176
Question of a mint at Melbourne u t entered into by the Committee	146
The quertion of importance to India in respect of a sufficient supply	~
Hejor Ward, Master of the Sydney Mint quoted on this point Statistics showing failing off in produce of Australian gold fields	177
Quertion how sovereign to be rated in reference to the rupes	178
General principles; lat, rate to be rather above than below present price of gold	
Effect in regard to contracts of fixing rate too high	
If too low the worst would be to retard the operation of the measure	
Rate to be fixed not in respect of value in Europe but cost from Australia Fractions to be avoided if possible, as in accounts between India and England	
Value of Madras fanam; expedient adopted by Moolraj at Mooltan	150
Sie C. Wood quoted on importance of convenient conversion into supers	170
Reform of currency in West India colonies facilitated by joining principle & convenience	
Thinks sovereign near enough to Rs. 10 to be fixed at that value	
Official value of rupes before discoveries; value of bar silver in London, 1803 and 1803	180
Real question, worth of the rupes not in London but at Calcutta Mr. Dunlop, Manager of Calcutta Branch of Agra Bank, quoted on subject	~
Annual rates of sale, from January 18-9 to June 1801, in App. 8	. *
Mr C. Brown s opinion quoted that sowerel-us may be turned out at mint at Rs. 10	161
llate of sovereign in Upper India exceeds that at ports; this explained	~
1) ty paid in Australia to custom; charge at Sydney Miot	-
Trade with Australia will reduce as well as atendy price of gold in India. Sovereign under valued at Rs. 10 yet will be preferred in all but petty dealings.	18:
Proposes that sover Lens be declared legal tender in India at Ra. 10	**
Indian mi to to receive gold bullion on same terms, with cost of coining	~
Mint charge on silver t be m int lucd as at present	
Currency notes to be parable in ofther coin, not in buillon	183
Of opinion, the teorereigns in sufficient quantity will be provided. Conclusion, remarks a boarding propensity of people and of N tir States.	F+
Agrees with C pt. Lees that demand for currency will increase beyon I all experience	**
I copie will have preci us metal 1 is it to be il r or illylided with cold?	iñ;
As no I production f gold hore "I times that of allrer; gold f r more efficient	H
Quantity required will be In times he than if public liver If shoutplon le directed to gold, depreciation of the metal will cease	-
Agrees with Mr Jerous that grid will become the money of the world	

The state of the s		rion
Innvitan, Sin C. D.—concluded Mr. ntc, dated 23rd November 1864		302
Secretary of State's decision correct, if prices be calculated on those in London	• •	
Insists that sovereign must be rated in India on Indian price in silver	•••	"
Value of precious metals subject to same land as other commodities	•	,,,
Cherp stat place of production, increasing, with charges, to destination .	• •))
Silver from South America how charged more heavily than gold from Australia	• •	303
Region why gold is charper in interior than at Calcutta and Bombay	•	"
Price of swereign at Calentia and Bombas since beginning of last Occember		"
App he Mr. Dunlop, sho is constant low price with downward tendency	•••	"
Quantities imported indicate no accidental or isolated transactions		1)
State of produce markets equally utlects both metals, not disturbing relative value	•	33
No reas enable doubt that it made legal temler, sovereigns will pass current for Rs	10	11
Superior course nence of rold currency worth, on average, at least 2 per cent	***	***
Case contemplated in despatch of 2nd May 1861, considered to have occurred	***	301
Question could hardly be in a better position for satisfactory solution	• • •	"
Object, not to revolutionize currency, but to provide for the future	•••	"
A period of double standard necessary for changing basis of currency Altered circumstances of India call for rame course as in other countries	•	31
Notices Secretary of State's decision regarding notes, principle of note currency	•••	,,
Difference between built on at Built of Lingland and as imported to India	••	305
Secretary of State's despotch of 1561 quoted in favour of view taken	• •	
One main object of paper, to economize specie and make it reproductive	•••))))
Amount of notes in circulation and securities invested, difference kept in c	20111	,,
and bullion	•	"
Much has sufficient to meet probable demand, if kept in legal coin	•	"
Note enculation and reserve of Calentt's and Bumbay, provision in east balance	s to	
meet demand	• • •	"
Advantage in economy of making must certificates payable after coming		306
Objections to Secretary of State's proposal regarding bullion and must certificates	•••	**
If premiss correct three inferences following therefrom, stated App., Calcutta quotations for Australian gold., 5th December 1863 to 3rd Nov. 186.	, ,	900
Bombay quotations for Australian gold, 12th December 1863 to 28th October 1861	r	308 309
United States An example of effect on currency of small errors of valuation	•••	290
Account of regulation of currency of, from 1792		
UNIVIRSAL NOTE See Parin Cunning	• •	1,
WAGIS Rise of, everywhere, especially near the sea const		121
WEST INDIES Monetary system of described by Mr Arbuthnot of the Treasury		249
Most perfect example of successful adjustment of a mixed enrrency	•	291
Wilson, Mr. James Minute, dated 25th Dec 1859, on introduction of a gold currency		19
System in England, where gold is standard, the best, if we began de novo	• •	"
This not the case in India, where silver him long been the standard. To change now would be breach of faith between debtor and creditor.		20
Effect of Californian discovery, fall in gold compared with silver, 5 per cent	••	**
Course followed in Holland and Belgium, gold demonetised, silver made standard	•	"
Relative value of gold and silver coins in India, gold not received after 1852	•	
Effect in United States, where double standard obtained till 1853	•	"
Effect in France, where also double standard had prevailed since 1801	•	11
By 1850 gold disappeared from circulation, silver becoming actual standard		22
In German States gold has been demonetised, silver becoming sole standard		**
In England single standard not tampered with, and no change made Considers it unwise to tamper with the single standard in India	•	"
Proposals for change stated under five heads	••	23
1st Some existing gold com to circulate at market price measured in silver	•	"
2nd A gold piece to be coined of given value, subject to periodical adjustment	•	"
3) d Sovereign to be legal tender for Rs 10, tender limited to 2 sovereigns		"
4th. Single standard changed from silver to gold, silver for subordinate coins	,	399
5th A double standard of gold and of silver	•••	"
Remarks on 1st plan, object of a come to represent fixed value known to all		"
If this absent, it is reduced to a commodity of fluctuating value Effect of supplementing Indian currency with gold coins, illustrated	•	"
Constant fluctuations must preclude use of such come as money		" 24
Objections almost as grave shown to apply to second plan		_
Convention between Austria and the Zollverein plan i omained a dead letter	••	"
3id plan not applicable to high-priced metals, objections to plan	•.	2 5
4th plan might do to begin with, pressure in England in 1837 and 1847	••	26

Wilson, Mr. James,—continued.	PLOE
Obligations being contracted in silver change a breach of faith	26
5th plan; double standard practically permission to pay in cheapest metal	
Unobjectionable if existing from early times, otherwise breach of faith	ж.
Effect of double standard, to subject holders to loss more or less	27
Cheaper displaces dearer coin, which is exported at a profit	
Question of advantage to India of adopting gold, answered in negative	
Movements of precious metals guided by self-acting principles	28
To disturb or control them would only lead to derangement	*
Immaterial, whether balance of trade be paid in gold or in silver	
Convenience of gold to Government on score of portability doubtful	_
Admitted with regard to individuals, but paper currency better	-
WOOD, SIE C., BART.—See SECRETARY OF STATE.	-
ZOLLYRMEIF. Convention between Austria and thet	21



making it, as far as possible, subservent to the requirements and convenience of the public with a view to the introduction of a larger reform *

- 17 Thus it might be expedient-
 - 1stly,—To separate the Office of Currency Commissioner of a Presidency from the Mastership of the Mint,—vide evidence of Colonel Hyde Currency Commissioner and Master of the Mint at Calcutta
 - 2ndly —To enjoin the extension of facilities for the encashment of all notes at all Treasuries up to a given small amount, say Rs. 200.
 - Srdly,—To permit Treasuries a larger discretion where this may be done without much chance of loss
 - 4thly —To establish Offices of Sub-Issue at such places as may be approved of by Local Governments and Adminis trations for the purpose
 - 5thly,—To advise Accountants General not to exhibit too great
 s jealousy of remittances in notes,—vide the Memo
 randum of the Lieutenant-Governor of Bengal on
 this subject.
- 18 It is observed that there is a preponderance of opinion in favor of what is called the universal note" if readily convertible
- 19 The condition, however, of ready convertibility is the very difficulty with which the Government would have to cope,—
 - I —In meeting excessive demands on local Trensumes
 - II -In arranging for the supply of tehseels with coin
 - III —In warding off a damaging run for coin on a great centre of issue, of which we have already had experience in Bombay; and
 - IV —In submitting to loss in consequence of the notes being largely used for remittance, or, in other words, being

Bee a Note from the Commissioner of Cooch Behar dated 22nd February 1864; also communications from Mr Temple Chief Commissioner Central Provinces, conveyed in letters from his Secretary; also a letter from Mr Probyn, Accountant Georal of the Punjah, dated 22nd June 1860.

[†] Many excellent suggestions with regard to the affording of facilities for ence kment may be found mong the answers of Collectors and Officers in charge of Treasuries.

made a medium of exchange when a local market might be unfavorable for the purchase of ordinary bills or hoondees.

- 20. It is obvious that before such a change could be recommended, viz, the introduction of the "universal note," a more detailed study of the subject is required than can be given it by the Commission. They would therefore content themselves with the remark that the project, though undoubtedly most difficult of execution, should by no means be dismissed summarily, but should receive the attention due to a very wide-spread opinion which rests, besides, on good authority, that in it alone can be found the means of giving reality to a Government Paper Currency in India *
- 21. The discussion which might be thus originated in the Financial Department would naturally comprehend the best available means of agency for circulation as distinguished from the right of issue, including the employment of the Banks, which has been discaided in accordance with the orders of the Secretary of State.—Vide Secretary of State's Financial Despatches, 26th March 1860, No 47, and 16th September 1862, No 158.
- 22. With respect to the issue of a 5-rupee note, the number of opinions is slightly in favor of it.
- 23. The preponderance of argument would, however, seem to be against-such an issue, in which view the majority of the Commission concur. Attention is particularly invited to the arguments and opinions of Baboo Ramgopal Ghose on this point
- 24 With respect to the introduction of gold, the following points seem to be generally and firmly established
 - 1stly,—That gold coins of various descriptions of mohurs and sovereigns—English and Australian—although not used as money by the State, are generally at par or above par in pince, whether in the Presidency Towns or in the cities of the Mofussil,

^{*} Vide more especially the arguments of Mr Temple in favour of the measure, also the answers of the Collector of North Canara, also the Report of the Board of Revenue, North-Western Provinces, also the opinions of the Lieutenant Governor, North-Western Provinces, conveyed in a letter from the Secretary to Government, North-Western Provinces; also the opinion of Captain Taylor, late Superintendent of Coorg, also the opinions of the Commissioner of Mysore, also the opinions of the Commissioner in Sind, also the opinions of the Dowan of Cochin State, also Note by Honorable G. N Taylor.